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ABSTRACT

A College Entrance Examination Board study of the six, federally-assisted, student loan programs - National Defense Student Loan Program, Guaranteed Loans under the Higher Education Act of 1965, Guaranteed Loans for Vocational Students, Health Professions, Student Loan Program, Nursing Student Loan Program, and Cuban Refugee Student Loan Program - describes each program. Then an examination is made of: (1) the importance of the federal loan program in relation to all federal student aid, to total student aid, and to total student educational expenses; (2) findings and recommendations; (3) problems affecting most or all of the six individual-loan programs. (Author/KE)

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A STUDY OF FEDERAL STUDENT LOAN PROGRAMS

Conducted by the

College Entrance Examination Board

NOT FOR RELEASE

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John I. Kirkpatrick
Study Director

COLLEGE ENTRANCE EXAMINATION BOARD, 1968

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I. INTRODUCTION

The United States Office of Education entered into an Agreement, dated April 3, 1967, with the College Entrance Examination Board for the study of the six federally assisted student loan programs, known as the National Defense Student Loan Program, Guaranteed Loans under Higher Education Act of 1965, Guaranteed Loans for Vocational Students, Health Professions Student Loan Program, Nursing Student Loan Program, and Cuban Refugee Student Loan Program.

The Task Statement for the study (see Appendix A) calls for the gathering of information and the evaluating of factors bearing on the organizations and operations of federally supported student loan programs in relation to the following two policy guides.

> "1. The Federal Government, as a matter of public policy, has fostered student loans as a principal means of providing assistance to needy students, and is now extending benefits of loans to students from middle-income families not previously eligible so that additional students will attend college.
>
> "2. The federal policy is to minimize direct loans financed from the Federal Treasury, and maximize loans through private financial sources assisted by federal credit such as guarantees and subsidized as to interest rate in order to keep the cost to the student low, and minimize the difference in cost to the student between a direct federal loan and guaranteed loan."

The Task Statement also calls for the following:

> "The evaluation will cover administration of the student loan programs, the problems of student loan collections, and other significant areas of student loan operations. In total, the study will develop and propose measures to make federally assisted student loan programs best serve the Nation's broad educational objectives.
>
> "To the extent these measures call for revisions in existing legislation specific phasing plans for the transition will be formulated for action on a step-by-step basis to avoid any setback or disruption in meeting this expanding need for student financial aid.
>
> "The optimum operational conditions desired from the federally assisted student loan programs will:
>
> > "1. Assure students eligible under federal policies access to loans to be used to enter upon or further their college education.
> >
> > "2. Provide maximum administrative simplicity with the cost of operation of the program held to an economical level.
> >
> > "3. Assure a business-like approach that will result in collection of loans with minimum collection losses.

"4. Create effective administrative relationships and harmony among the parties; that is, the Federal Government, the educational institution, the state or private guarantee agency, and the lender, in meeting the needs of the student.

"5. Facilitate maintenance of appropriate interrelationship with all other forms of student financial aid, scholarships, grants, work-study, or other student employment programs, or precollege savings programs."

The time limitations of the study made it extremely difficult to deal in depth with all the key study problems outlined in the Task Statement. The budgetary limitations made it impossible to investigate some of the problems, and hence it was agreed between the U.S. Office of Education and the College Entrance Examination Board to omit study of those problems dealing particularly with administrative structure and administrative processing and reporting.

In carrying out the objectives of the Task Statement, several major approaches were used:

1. Questionnaires were sent to the various groups concerned with the federal student loan programs.

   a. Questionnaire to 2,444 colleges and universities. Of the 2,193 eligible to reply, 1,671 or 76 percent responded. These replies included 946 or 85 percent of the accredited four-year colleges and universities (see Appendix B).

   b. Questionnaire to 2,112 lending institutions. Sixty-four percent or 1,388 responded. Of the respondents, 676 or 49 percent participated in the Guaranteed Loan Program. Out of these 676 participants, the responses from 643 were received in time to be tabulated (see Appendix C).

   c. Questionnaire to 325 vocational schools. Of the 276 eligible to reply, 160 or 58 percent responded (see Appendix D).

   d. Questionnaire to 195 institutions eligible to participate in the Health Professions Student Loan Program, of which 162 or 84 percent responded (see Appendix E).

   e. Questionnaire to 532 nursing schools, including the baccalaureate, associate degree, hospital diploma, and graduate program schools, eligible to participate in the Nursing Student Loan Program. Of the 430 eligible to reply, 278 or 64 percent did so (see Appendix F).

2. Personal interviews were held with the staffs of 47 state guarantee agencies. The states excluded were Alaska, Hawaii, and New Mexico (see Appendix G).

3. Seven in-depth, one-day discussions were held in San Francisco, California; Denver, Colorado; Chicago, Illinois; Raleigh, North Carolina; Harrisburg, Pennsylvania; and Syracuse and New York, New York. Each

of these meetings was attended by 10 - 20 representatives of colleges and universities, lending institutions, state agencies, and state commissions (see Appendix H).

4. An Advisory Committee, the members of which are listed at the beginning of this report, was appointed to assist the Study Director in the analysis of the result of the various questionnaires, interviews, and staff findings. All the major questions were referred to this committee. It was not asked to vote on any of the questions, but there appeared to be general consensus on the great majority of questions. The Advisory Committee met twice, in October and December.

5. Innumerable meetings were held with consultants and advisors particularly knowledgeable in certain aspects of the programs under study or in the conduct of the study. The names of these consultants and advisors are listed at the beginning of this report. Certain additional conferences are listed in Appendix J.

As part of this overall study of federal loan programs, the College Entrance Examination Board subcontracted with the Bureau of Applied Social Research of Columbia University to do an exploratory small-scale follow-up study of graduates who borrowed under the National Defense Student Loan Program. At the time this study report was prepared, the pilot study was not completed. Its results have been made available subsequently so that they have been appended as Chapter XII of this report.

The material in this report falls into four major divisions.

1. Chapter II; the importance of the federal loan program in relation to all federal student aid, to total student aid, and to total student educational expenses.

2. Chapter III; a summary of the findings and recommendations of this study.

3. Chapters IV through VIII; discussions relating to the six individual loan programs, leading to the recommendations summarized in Chapter III.

4. Chapters IX through XII; discussions relating to problems affecting most or all of the six individual loan programs, leading to the recommendations summarized in Chapter III.

The member colleges, universities, secondary schools, and associations of the College Entrance Examination Board do not necessarily endorse the findings and recommendations of this study. The contents of this report are the responsibility of the Study Director.

II. SUMMARY OF FEDERAL AND TOTAL STUDENT FINANCIAL AID FISCAL YEAR 1967

A. FEDERAL STUDENT FINANCIAL AID

Student financial aid funds from federal and federally assisted programs were estimated at $1,581 million in fiscal year 1967. This total is composed of $930 million in grants (59 percent), $150 million in employment (nine percent), and $502 million in loans (32 percent). (See Table 1.)

This total represented a substantial increase of $575 million or approximately 57 percent, over fiscal year 1966. Almost the entire increase was caused by five factors: (1) the new G.I. Bill ($216 million); (2) the first full year of operation of the Guaranteed Loan Program (up $170 million); (3) training grants and fellowships (up $100 million); (4) the new Educational Opportunity Grants Program ($46 million); (5) the College Work-Study Program (up $28 million).

The $1,581 million of federally assisted student financial aid in fiscal year 1967 was four and one-half times as much as the estimated total of $346 million in fiscal year 1961.

Slightly more than one half of the $1,581 million from federally assisted programs went to undergraduates, and slightly less than one half to graduate students. The huge part of the awards to graduate students, estimated at 89 percent, was in the form of grants (but more than one-third of these grants represented tuition paid by the Federal Government for its own employees' studies). The awards to undergraduates were 52 percent in loans, 31 percent in grants, and 17 percent in employment.

As shown in Table 1, almost one half of the $502 million in loans was made available under the Guaranteed Loan Program. This program went through its first full year of operation in fiscal year 1967, but some of the states did not start to participate until the year was well under way. It provided $248 million to 328,900 students for an average loan of $750. The National Defense Student Loan Program in the same year provided $218 million to 394,00 students for an average loan of $553.

B. TOTAL STUDENT FINANCIAL AID

It has been estimated that total financial aid to students at all institutions of higher education during fiscal year 1967 was roughly $2,242 million. This total is broken down as follows:

	In millions	Percent
Federally assisted programs	$1,581	70.6
State scholarships	98	4.4
Institutional programs	513	22.8
Foundations and corporations	50	2.2
	$2,242	100.0

Table 1

STUDENT FINANCIAL AID FUNDS
FROM FEDERAL AND FEDERALLY ASSISTED PROGRAMS
FISCAL YEAR 1967

	Amount in Millions					
	Undergraduate		Graduate		Total	
GRANTS						
Educational Opportunity Grants(1)	$ 46.5		-		$ 46.5	
Veteran's Training (PL-89-358)(2)	172.7		$ 43.2		215.9	
War Orphans(2)	24.8		6.2		31.0	
Training grants and fellowships(3)	12.0		624.2(4)		636.2	
SUBTOTAL - Grants	$256.0	31%	$673.6	89%	$929.6	59%
EMPLOYMENT						
College Work-Study(1)	$142.5	17%	$ 7.5	1%	$150.0	9%
LOANS						
National Defense(1)	$187.5		$ 30.5		$218.0	
Guaranteed Loans(5)	220.4		27.3		247.7	
Vocational Loans(5)	0.7		-		0.7	
Cuban Refugee Student Loans(5)	3.0		0.3		3.3	
Health Professions Student Loans(6)	1.0		21.0		22.0	
Nursing Student Loans(6)	9.8		-		9.8	
SUBTOTAL - Loans	$422.4	52%	$ 79.1	10%	$501.5	32%
TOTAL	$820.9	100%	$760.2	100%	$1,581.1	100%

(1) Program Planning and Budgeting Section, and Division of Student Financial Aid, U.S. Office of Education, December 1967.
(2) Program Administration Division, Veteran's Administration, December 1967.
(3) Office of Program Planning and Evaluation, U.S. Office of Education, December 1967.
(4) Includes $232 million paid by Federal Government in tuition for its own employees' studies.
(5) Division of Student Financial Aid, U.S. Office of Education, October 1967.
(6) Public Health Service, December 1967.

Note: Guaranteed Loan funds actually come from private lenders; the interest is subsidized by the U.S. Office of Education. College Work-Study and all loans except Guaranteed and Cuban include 10% in matching funds from the institution of higher education. National Defense Student Loan includes funds from repayments of previous borrowers.

A further breakdown of this total (Table 2) reflects the distribution of total student aid: 60 percent for grants, 16 percent for employment and 24 percent for loans. Aid to undergraduate students was made up of 44 percent in grants, 24 percent in employment, and 32 percent in loans. Graduate students fared twice as well in grants, which made up 87 percent of their assistance; employment supplied two percent and loans the remaining 11 percent of the total aid to graduate students.

Total student financial aid, six years earlier in fiscal year 1961, was estimated at $716 million, or about 32 percent of the fiscal year 1967 estimate. Federally assisted programs of $346 million in fiscal year 1961 constituted 48 percent of the total aid at that time, compared to 71 percent in fiscal year 1967.

In other words, while total student financial aid increased by 225 percent during the six years from fiscal year 1961 through fiscal year 1967, its major component of federally assisted programs increased by 360 percent.

C. TOTAL STUDENT EDUCATIONAL EXPENSES

In the fall of 1966, there were approximately 4.5 million full-time students enrolled in institutions of higher education. To determine their total tuition and fee charges, the U.S. Office of Education estimates of the weighted average tuition and fee charges in 1964-65 were increased seven percent per year, resulting in estimated average charges in 1966-67 ranging from an average of $115 in public two-year institutions to an average of $1,275 in private four-year institutions. As shown in Table 3, which is based on these estimates, the total tuition and fees weighted for enrollment came to an average of $595 per student.

The College Scholarship Service estimated that the expense allowance for room and board at home ($400), on-campus meals ($150), books and incidental expenses ($550), totalled $1,100 for a commuting student's budget. Adding this allowance to the average commuter's tuition and fee charge of $536 produces an estimated average expense budget of $1,636 for commuting students. The resident student's educational budget, weighted for enrollment, averaged $2,044, including $636 for tuition and fees, $858 for room and board, and $550 for other expenses.

Table 3 shows that these weighted educational expense budgets for 4.5 million full-time students in 1966-67 totalled more than $8.3 billion. The expense figures used are conservative, especially since no additional allowances were made for graduate students and married students. It probably could be said that total full-time student educational expenses approached $9 billion in fiscal year 1967.

(Text continued on page II-6)

Table 2

ESTIMATED TOTAL STUDENT FINANCIAL AID AT INSTITUTIONS OF HIGHER EDUCATION FISCAL YEAR 1967

	Amount in Millions					
	Undergraduate		Graduate		Total	
GRANTS						
Federal grants and fellowships (1)	$ 256.0		$673.6		$ 929.6	
State scholarship (2)	83.0		15.0		98.0	
Institutional grants and fellowships (3)	241.0		30.0		271.0	
Foundation and corporate awards (4)	27.0		23.0		50.0	
SUBTOTAL	$ 607.0	44%	$741.6	87%	$1,348.6	60%
EMPLOYMENT						
College Work-Study Program (1)	$ 142.5		$ 7.5		$ 150.0	
Institutional employment (3)	197.0		10.0		207.0	
SUBTOTAL	$ 339.5	24%	$ 17.5	2%	$ 357.0	16%
LOANS						
Federal loan programs (1)	$ 201.3		$ 51.8		$ 253.1	
Guaranteed loans (private lenders with interest subsidy) (1)	221.1		27.3		248.4	
Institutional loans (3)	25.0		10.0		35.0	
SUBTOTAL	$ 447.4	32%	$ 89.1	11%	$ 536.5	24%
TOTAL	$1,393.9	100%	$848.2	100%	$2,242.1	100%

(1) See Table 1 for source.
(2) Calendar year 1966: Josephine Ferguson and New York State Regents reports.
(3) Projections of surveys by U.S. Office of Education in 1959-60 and 1963-64.
(4) Estimate derived from O'Meara's estimate that 181 corporations contributed almost $8 million in 1960-61 plus 1966 figures of $23.5 million representing grants from four of the largest foundation-sponsored programs.

Table 3

TOTAL STUDENT EDUCATIONAL EXPENSES
FISCAL YEAR 1967

Enrollment Make-Up[1]		Full-Time Enrollment Fall 1966[2]	AVERAGE Tuition & Fees[3]	AVERAGE Room & Board[4]	AVERAGE Other Expenses[5]	AVERAGE Total Budget	Total Expense (in millions)
Four-year public							
Commuting	30%	703,250	$ 305	$550	$550	$1,405	$ 988.
Resident	70%	1,640,900	305	816	550	1,671	2,742.
TOTAL		2,344,150					
Two-year public							
Commuting	100%	623,109	115	550	550	1,215	757.
Resident	0%	0	-	-	-	-	-
TOTAL		623,109					
Four-year private							
Commuting	40%	554,300	1,275	550	550	2,375	1,316.
Resident	60%	831,440	1,275	942	550	2,767	2,301.
TOTAL		1,385,740					
Two-year private							
Commuting	50%	58,385	805	550	550	1,905	111.
Resident	50%	58,385	805	862	550	2,217	129.
TOTAL		116,770					
All commuting		1,939,044	$ 536	$550	$550	$1,636	$3,172.
All resident		2,530,725	636	858	550	2,044	5,172.
TOTAL		4,469,769	$ 595	$722	$550	$1,867	$8,344.

(1) Study staff estimate.
(2) USOE "Opening Fall Enrollment 1966".
(3) USOE "Digest of Educational Statistics 1966", Table 109- adjusted by 7% increase each year in 1965-66 and 1966-67.
(4) Source same as (3) above. Room and Board for commuting students includes $150 for on-campus meals and $400 allowance for room and board at home.
(5) College Scholarship Service estimate.

D. SUMMARY

On the basis of the foregoing estimates, it is interesting to note the following.

1. Of the $9 billion in total student expenses in higher education, the total student aid of $2.2 billion represented 24 percent.

2. Of the $9 billion in total student expenses in higher education, the federal student aid of $1.6 billion represented 18 percent.

3. Federal student aid of $1.6 billion was almost evenly divided between undergraduate and graduate students.

   Grants, which made up 59 percent of the total, were divided into 72 percent to graduate students and 28 percent to undergraduate students.

   Loans, which made up 32 percent of the total, were divided into 16 percent to graduate students and 84 percent to undergraduate students.

4. Almost one half of the federally assisted loan programs of $502 million was provided by the new Guaranteed Loan Program.

5. The federally assisted loan program of $502 million represented:

   52 percent of federal financial aid to undergraduate students and tcn percent to graduate students, for a total of 32 percent to all students;

   30 percent of total financial aid to undergraduate students and nine percent to graduate students, for a total of 22 percent to all students;

   5.6 percent of total student educational expenses.

III. SUMMARY OF FINDINGS AND RECOMMENDATIONS

A. ADMINISTRATION

It has been found in this study that colleges and universities have very high regard for the Federal Government's administration of the federal loan programs, excluding the Guaranteed Loan Program. They reported a high degree of success attained by these programs in meeting the needs of their students. With very few exceptions they found the instructions from the United States Office of Education to be clear, and they did not think the procedures for reporting to the Office of Education made unreasonable demands on them. They found the help of the Office of Education regional offices to be substantial. All these findings are rather remarkable considering the large numbers of students and amounts of money involved and the understandable need of the Federal Government to protect public funds.

The staff for this study also found a high degree of excellence in the federal administration of the loan programs. The staffs of the Division of Student Financial Aid, the U.S. Office of Education, and the Student Loan and Scholarship Branch of the U.S. Public Health Service were knowledgeable and gave every evidence of being on top of their jobs. The study staff was particularly impressed with the kind and amount of information readily available.

The exclusion of the Guaranteed Loan Program from the institutions' high regard is understandable. As a new federal program, it was operated on uneven levels, depending upon the administration of a strong state agency, the United Student Aid Funds, Inc., or a brand-new state organization -- and on whether a state had or had not appropriated funds for its administration. In addition, educational institutions were on the periphery of the program and not closely involved. Hence, it is not surprising that so many of them were not familiar with the program, and that many of them were even hostile to it. At any rate, the study staff was particularly impressed with the excellence of the U.S. Office of Education staff in the coordination and administration of this very large and complicated new program.

In this report three recommendations are made concerning the administration of the federal loan programs.

1. As discussed in Chapter XI, it is concluded here that the advantages of centralizing the administration of the six federal loan programs would outweigh the disadvantages. The federal loan programs will continue to grow further apart under administration divided between the U.S. Office of Education and the U.S. Public Health Service. It is recommended, therefore, that the operation of the six federal loan programs be brought into a single administrative agency. It is further recommended that appropriation requests for the Health Professions Student Loan Program and the Nursing Student Loan Program continue to be submitted as separate budget items by the Public Health Service. (See Chapter XI.)

2. In all the recommendations that follow it is assumed that the six current federal student loan programs should be reduced to four. This reduction can be accomplished by merging the Vocational Student Loan Program with the Guaranteed Loan Program and by subsuming a modified Cuban Refugee Loan Program under the National Defense Student Loan Program, the Health Professions Student Loan Program, and the Nursing Student Loan Program. As a logical follow-up of the centralization of administration of all the federal student loan programs, which is recommended in Recommendation 1, and as a subsequent step, it is believed feasible and desirable to merge into one loan program the National Defense Student Loan Program, the Health Professions Student Loan Program, and the Nursing Student Loan Program. The major precaution that would have to be taken is the development of appropriate allocation procedures to reflect the differing needs of the various institutions. Such a merger would leave only two federal student loan programs: the merged program as recommended above and the Guaranteed Loan Program.

3. Under the National Defense Student Loan Program, it is recommended that the U.S. Office of Education continue to simplify and to standardize reporting procedures and also to make every effort to avoid frequent changes. (See Chapter IV, page 16.)

4. Under the Guaranteed Loan Program, it is recommended that the U.S. Office of Education, in collaboration with the state agencies and educational institutions, work toward the standardization of policies, procedures, and forms among the various states. (See Chapter VIII, page 43.)

B. NEED FOR STUDY OF MAXIMUM BORROWING

The widespread use of credit (long-term, low-interest loans) is a fairly recent development in student financing of higher education, especially at the undergraduate level. It is estimated that before the implementation of the National Defense Student Loan Program, in 1958, fewer than 800 colleges and universities had operating long-term loan programs. They had $26 million available in student loan funds, but less than 50 percent of this amount was in use. In 1968, approximately 1,700 institutions of higher education are participating in the National Defense Student Loan Program. By the end of the 1966-67 academic year they had lent more than $1 billion to about one million students. Indeed, for many colleges and universities the National Defense Student Loan Program represented the first major program of student assistance, and in hundreds more institutions this program has become the core of student financial aid programs.

Between 1957 and 1965 the states began providing various student loan plans, and when the Higher Education Act of 1965 was signed into law in November of that year some 17 states had functioning programs. Student loans were by then an integral part of paying for higher education, and the Higher Education Act of 1965 expanded the Federal Government's participation in student loans by providing a comprehensive program of guaranteed loans to students.

Last year, in fiscal year 1967, at least $536 million in long-term loans was granted to an estimated 700,000 students in higher education. As shown in Tables 1 and 2 in Chapter II of this report, approximately $502 million of this amount was loaned under federal or federally assisted loan programs. To put them in perspective, as summarized in Chapter II, the federal loans of $502 million represented 22 percent of the total amount of financial aid (including all federal student aid programs and all non-federal sources) to all students in higher education in fiscal year 1967. They also represented an estimated 5.6 percent of the total educational expenses of all full-time students in higher education in fiscal year 1967.

At the time when the importance of providing students with guidance about borrowing was beginning to be recognized, actions by the Federal Government suddenly made student loan funds more easily available and, for the first time these loans were available from sources outside the institutions of higher education. Not only has the problem of providing financial advice to students been made more difficult, but the matter of monitoring the amounts students borrow has been compounded. Under existing procedures a student may borrow federally subsidized loan funds from his college or university or a private lending institution. Not only is such a situation potentially wasteful of available funds, but it may well tempt students into assuming too large an indebtedness. There is also the distinct possibility that the collection of these loans may become a problem for both lenders.

Not enough information is available concerning the amount of indebtedness students should be permitted to incur in paying for higher education, although it seems clear that students from limited family financial circumstances, students who choose low-paying careers, students who aspire for graduate work, and women students pose special problems. In addition, there is much to be learned about the implications of an increasing reliance on student credit for the future financing of higher education.

5. It is recommended that an economic, educational and social analysis of the impact of borrowing be undertaken by the institutions of higher education and their associations, with the assistance of the U.S. Office of Education, to determine what might be considered reasonable maximum indebtedness that students from various family income levels, students preparing for low-paying occupations, and women might be expected to assume. (See Chapter X, page 5.)

   As part of this overall study of federal loan programs, the College Entrance Examination Board is undertaking an exploratory small-scale study of the attitudes of those who have borrowed under the National Defense Student Loan Program. At the time this report was written, the pilot study was being completed. The results of this study will be reported in a Chapter XII appended to this report.

C. NEED FOR MORE STAFFING AND TRAINING OF FINANCIAL AID OFFICERS

So rapid has been the acceptance and use of the various student loan programs that colleges and universities have been hard-pressed to provide the administrative machinery to implement them, much less consider the implications of an increasing reliance on credit. Furthermore, of the 1,671 college and university respondents to this study's Questionnaire to Institutions of Higher Education, only 20 percent worked exclusively on the administration of aid programs while 29 percent spent less than 30 percent of the week administering these programs. In the face of a staggering total of student financial aid, estimated at $2.3 billion last year:

6. <u>It is recommended that the U.S. Office of Education urge institutions to provide adequate staffs to administer student financial aid programs and offer to sponsor training programs to provide the institutions with better trained staff.</u> (See Chapter IV, page 4.)

D. NEED FOR ESTIMATES OF FUTURE STUDENT LOAN DEMANDS

It is most important to attempt to gauge the demand for student loans during the next five years. Estimates are needed for planning the National Defense Student Loan Program and, more important, the Guaranteed Loan Program.

7. <u>It is recommended that the U.S. Office of Education prepare projections of the demand for student loans during the next five years, with the assistance of the state loan agencies and educational institutions.</u> (See Chapter IV, page 10; and Chapter VIII, page 37.)

E. ROLE OF THE NATIONAL DEFENSE STUDENT LOAN PROGRAM

The educational institutions are almost unanimously satisfied with the National Defense Student Loan Program, if it is improved and modified as noted in this report. Although they would prefer to have larger direct appropriations for National Defense Student Loan Program, an increase in annual direct appropriations by Congress is not recommended here because the staff for this study believes that the equivalent, or more, of these additional funds can be obtained through private credit.

The Guaranteed Loan Program in its first full year of operation, 1966-67, produced $248 million in student loans, approximately 14 percent more than the National Defense Student Loan Program. It is estimated that something less than one-half of the $248 million may be attributed to the new federal program; something more than one-half, it is expected, would have been generated by the state agencies already in existence and by the United Student Aid Funds. Not only did the Guaranteed Loan Program provide a great deal of assistance, but it provided substantial sums to the low-income and the lower-middle-income levels. It may be said that the Guaranteed Loan Program has exposed the existence of a real need for additional loan funds.

for the several reasons outlined in Chapter IV, pages 9-10:

8. It is recommended that the annual direct appropriation for the National Defense Student Loan Program not be decreased below its 1968 level for at least the near future.

F. REVOLVING FUND AS A SOURCE OF PRIVATE CREDIT

To ease the strain of direct federal appropriations and to further the Federal Government's policy of maximizing the use of private credit for the financing of student loan programs, it is desirable that the Revolving Fund be developed into a completely feasible and acceptable tool.

9. It is recommended that the U.S. Office of Education sponsor regional meetings of college and university officials to determine what additional factors, if any, should be considered and developed to make the Revolving Fund acceptably operable for the National Defense Student Loan Program, the Health Professions Student Loan Program, and the Nursing Student Loan Program. (See Chapter IV, page 10; and Chapter IX.)

G. GUARANTEED LOAN PROGRAM

The Guaranteed Loan Program is now answering a very necessary need for higher education. In a relatively short period of time, much dependence has already been placed on it. It has provided so much assistance, particularly to students in the lower-income levels, that it must not be considered necessarily as different from the other federal programs. It should now be considered in the same light as other federal loan programs and supplementary to them. It is in this context, therefore, that the following recommendations are made.

10. Steps should be taken to strengthen the existing state agencies and to continue to encourage the creation and maintaining of strong state agencies (see Chapter VIII, page 20), by:

    a. Removing the present provision for direct federal insurance as a weakening force for strong state agencies, after continuing it on an announced temporary basis from its present expiration date of June 30, 1968, to a new expiration date of June 30, 1970. (See Chapter VIII, page 21.) This recommendation applies only to loans of necessity and should not affect the possible use of direct federal insurance for loans of accommodation, as covered in Recommendation 12.

    b. Bringing in incentives to encourage the creation of strong state agencies where they do not now exist. The combination of two of the proposals now before Congress (the 80 percent reinsurance plan and additional "seed" or reserve money) should be sufficient to give such encouragement, with the additional encouragement of the Federal Government's sharing the costs of administering the state program. (See Chapter VIII, page 21.)

c. Holding conferences on the Guaranteed Loan Program with state officials, preferably at the state or regional level -- but if time and staff do not permit, at the national level. (See Chapter VIII, page 22.)

11. Financial need should be required as a criterion in the Guaranteed Loan Program. The present Guaranteed Loan Program legislation states that there shall be no financial need criterion other than defining those adjusted family incomes under $15,000 as eligible for federally subsidized interest payments. This arbitrary line provides interest subsidy benefits to some students from families that cannot demonstrate financial need, while other families that have higher incomes but large numbers of children and special financial problems have financial need but are unable to obtain the federal interest subsidy. The overwhelmingly large majority of the people involved in the program is in favor of requiring financial need as a criterion for federal interest subsidy in the Guaranteed Loan Program. It is felt also that this restriction is necessary to keep the program under reasonable control. (See Chapter VIII, pages 22-29.)

12. Loans of necessity (see Recommendation 11), which are intended to meet the student's financial need after parental contribution, should be separated from loans of accommodation, which are intended to meet or help meet the parental contribution toward the expenses of higher education. Loans of accommodation should be made to the parent, not to the student, should be guaranteed by the Federal Government, and should not receive federal interest subsidy. Loans of accommodation should be retained as a feature of the Guaranteed Loan Program and administered through the device of direct federal insurance, or they should be handled by a federal agency, patterned after the Federal Housing Administration, established for the purpose of guaranteeing such loans. (See Chapter VIII, page 29.)

13. Colleges and universities, acting under ground rules established by themselves, the lending institutions, and the state guarantee agencies, should be responsible for determining which students should receive loans and recommending the amounts that they should receive. (See Chapter VIII, page 33.)

14. Steps should be taken to provide a reasonable profit to lending institutions. The burden of evidence indicates that six percent simple interest is not yielding a reasonable profit to most lending institutions. This study recommends, therefore, that the return be set to yield a reasonable profit, the method and amount to be determined by financial experts. (See Chapter VIII, page 36.)

In order to provide an adequate amount of loan funds for the Guaranteed Loan Program, it is recommended that:

15. To project future needs, a task force should be assigned to identify all the elements involved in estimating future requirements of guaranteed loans, and each state should be requested to prepare its projections for the next five years. (See Recommendation 7.)

16. To increase participation from the present potential sources of individual lending institutions, the Office of Education should be enabled to enter into agreements with those larger nationwide insurance companies, credit unions, universities, and others who would commit themselves to designated minimum amounts of loan funds over a period of years. (See Chapter VIII, pages 37-38.)

17. Greater efforts should be made on the part of states to gain new and increased participation by individual lending institutions within the states. States should be advised also of methods for providing new and supplementary sources of loan funds and encouraged to give these sources consideration in anticipation of greater demands for loans to be made upon them. (See Chapter VIII, pages 38-39.)

18. To make loans available to students now finding it difficult, if not impossible, to obtain loans, states should be encouraged to set up a central service division and, where necessary, a central pool of credit to provide loan funds for such students. (See Chapter VIII, pages 39-40.)

19. Guaranteed Loans should be made eligible as matching funds for grants under the Educational Opportunity Grants Program. (See Chapter VIII, pages 40-41.)

20. Five procedural changes should be effected to standardize forms and policies within the states, make proceeds of loans payable in two instalments per year, have proceeds sent to students in care of their institution, and so forth. (See Chapter VIII, page 42.)

21. The proposed merger of the Vocational Student Loan Program with the Guaranteed Loan Program should be enacted. (See Chapter VIII, page 48.)

H. TIMING AND NOTIFICATION OF ALLOCATION

One of the strongest and major complaints against the National Defense Student Loan Program, the Health Professions Student Loan Program, and the Nursing Student Loan Program was the lateness of the notification to the institutions of the amounts of money allocated to them. Notification has generally been received after the close of an academic year. For the schools and colleges to be able to make firm commitments:

22. It is strongly recommended that Congress revise its schedule of appropriations to permit notification of institutions at least three months before the beginning of the fiscal year in which funds are to be made available to the individual institution. (See Chapter IV, page 15; Chapter V, page 5; and Chapter VI, page 5.)

J. COLLECTION OF LOANS

The collection of loans has become a serious problem for most institutions of higher education under the National Defense Student Loan Program. To help this situation and to help prevent its occurrence in the new Health Professions Student Loan Program and Nursing Student Loan Program, four measures are recommended below.

Performance in the collections of student loans varies widely. Standards need to be set. Will the record of collections of Guaranteed Loans by banks and other lenders be better than collections of National Defense Loans by institutions of higher education? There should be little difference in credit risk between the two programs; both should be serving all kinds of students in need. But the record of collecting Guaranteed Loans should be better, since the collection is generally in the hands of professional individuals who employ business-like and persistent procedures. It should be noted, however, that in many cases the bank or other lender ceases to follow up after 90 days of delinquency and turns the note over to the state guarantee agency for collection. Hence, the collection efforts of the lending institutions under the Guaranteed Loan Program in the case of the troublesome delinquent notes are much less time-consuming than are those of the colleges and universities in collecting National Defense Loans.

It is probably not sufficiently effective for the U.S. Office of Education to threaten to withhold funds from institutions that have unsatisfactory collection records. The Office of Education would have difficulty in defining unsatisfactory performance, except in the extreme cases and would have great reluctance to withhold funds and thereby deny students access to loans. On the other hand, the Office of Education should not hesitate to press for more vigorous collection efforts on the part of the institutions. It is felt that the four recommendations below will help in this respect.

23. The method of computing the rate of delinquency should be changed in order to indicate the status of arrears and potential losses through default. (See Chapter IV, page 22; Chapter V, page 6; and Chapter VI, page 5.)

24. An effective write-off procedure should be adopted. Resorting to the collection of loans by the Federal Government is not recommended. (See Chapter IV, page 22; Chapter V, page 6; and Chapter VI, page 5.)

25. Strong encouragement should be given to the use of central collection agencies. Central collection should be urged particularly for those institutions with continuously unsatisfactory records of collection. The enforced use of central collection agencies, particularly in the cases of institutions with unsatisfactory records, would be difficult to administer unless there were "accredited" agencies or unless the Office of Education sponsored the establishment of collection agencies on a state or regional basis. The state guaranteed loan agencies are already in the loan collection business and might be willing to add the collection of National Defense Student Loans, Health Professions Student Loans, Nursing Student Loans, and Cuban Refugee Student Loans to their efforts on behalf of their own loans. (See Chapter IV, page 27; Chapter V, page 6; Chapter VI, page 5.)

26. An incentive plan for the reimbursement of administrative expenses should be adopted. (See Chapter IV, page 29; Chapter V, page 6; and Chapter VI, page 5.)

K. CANCELLATION OF LOANS

A very controversial factor in the federal loan programs has been the provisions for forgiveness or cancellation of loans on an occupational basis. The following recommendations are made in this study.

27. The teacher cancellation provision of the National Defense Student Loan Program should be phased out. (See Chapter IV, page 35.)

28. The nursing cancellation provision of the Nursing Student Loan Program should be phased out. (See Chapter VI, page 8.)

29. The forgiveness (or cancellation) concept should not be extended to the Guaranteed Loan Program. (See Chapter VIII, page 41.)

L. UNIFORMITY OF PROVISIONS

On the assumption that a provision that is reasonable and desirable for one loan program should be made a provision of other loan programs unless there is a reason for not doing so, it is recommended in Chapter X that ten provisions that are written into only one or some of the loan programs be made part of all the programs. These include the following.

30. Maximum borrowing. Limits of $1,500 per year and $5,000 aggregate should be set for undergraduate students, and limits of $2,500 per year and $10,000 aggregate should be set for graduate students (including undergraduate loans). These limits would apply for borrowing in each federal loan program and, in addition, for borrowing under more than one federal loan program. (See Chapter X, page 3.)

31. Loans should be made available to half-time students. (See Chapter X, pages 5-6.)

32. Interest payments during the repayment period should be standardized. (See Chapter X, page 6.)

33. Removal of some or all of the interest subsidy during the period of study is not recommended. Removal of interest subsidy during the pay-out period is, however, a matter of possible future consideration. (See Chapter X, pages 6-7.)

34. Numerous deferment provisions should be standardized. See Chapter X, pages 7-8.)

35. The grace period should be shortened to four months. (See Chapter X, page 9.)

36. Reimbursement to institutions for administrative expenses should be provided. (See Chapter X, page 10.)

37. Three provisions affecting cancellations and late payment charges should be standardized. (See Chapter X, pages 10-11.)

M. CUBAN REFUGEE STUDENT LOAN PROGRAM

If the benefits to Cuban Nationals are to be continued for at least another ten years, it is recommended that:

38. The separate Cuban Refugee Student Loan Program as it now exists should be phased out of existence and subsumed by the National Defense Student Loan Program, the Health Professions Student Loan Program, and the Nursing Student Loan Program, subject to the conditions discussed in Chapter VII, page 7.

N. NATIONAL DEFENSE STUDENT LOAN PROGRAM - OTHER RECOMMENDATIONS

39. It is recommended that the procedure for allocating the federal capital contributions be based on a state or regional allocation to take into consideration the number of students enrolled in high-cost institutions and the income distribution of college-going students, as well as on the number of full-time students in higher education, which is the only factor now used. (See Chapter IV, page 14.)

40. Further, it is recommended that no allocation to a state or region be allowed to lapse, that funds not used in a state or region be reallocated to states or regions where insufficient funds have been allotted. (See Chapter IV, page 14.)

Although the freedom of educational institutions to determine the students to whom they award loans must not be limited:

41. It is recommended that additional restrictions on needy students be called to the attention of financial aid officers as possible sources of discrimination. (See Chapter IV, page 17.)

42. It is recommended that the provision in the National Defense Student Loan Program legislation requiring that special consideration be given to students "with a superior academic background" be eliminated. (See Chapter IV, page 17.)

O. OTHER RECOMMENDATIONS

43. It is recommended that the institutional allocation procedure in the Health Professions Student Loan Program be revised to take into consideration not only the proportion of students involved, but the relative student expense budgets. (See Chapter V, page 5.)

44. It is recommended that additional efforts be made to disseminate information about the Nursing Student Loan Program: (a) among high school guidance counselors, (b) among currently enrolled students in nursing programs to encourage them to continue into advanced studies, and (c) among married nurses to encourage them to take on advanced studies. (See Chapter VI, page 8.)

IV. NATIONAL DEFENSE STUDENT LOAN PROGRAM

A. INTRODUCTION

The Congress in 1958 passed the National Defense Education Act (NDEA) which established under Title II a program of long-term low-interest loans to full-time students in institutions of higher education -- the National Defense Student Loan Program (NDSLP). This program has turned out to have been the largest and most dynamic effort of the Federal Government in influencing the use of loans as an important factor in meeting student financial need. In its first full year of operation, ended June 1960, 115,000 students in 1,357 institutions borrowed more than $50 million under its provisions.

Not very many years before 1958, loan funds were going begging in many colleges. During 1955-56, according to the Radcliffe study of 1,471 institutions,(1) 767 institutions had long-term loan programs that made $26,557,000 available for lending -- and yet only $13,488,000 was actually borrowed by 83,000 graduate and undergraduate students. In other words, all institutional loans four years earlier totalled slightly more than one-fourth of the money available under the new National Defense Student Loan Program in its first full year.

It is interesting to note that the first of the state student guaranteed loan programs was initiated in Massachusetts in March 1957 and was followed by a program in New York in July 1958. After the passage of the National Defense Student Loan Program, Rhode Island, New Jersey, and Virginia established state loan agencies in 1960 and 1961. Eleven other states followed before the enactment of the Guaranteed Loan Program in the Higher Education Act of 1965.

The National Defense Education Act of 1958 was enacted to identify and educate more of the talent of the nation. To create the loan funds at the institutions, the Federal Government contributes 90 percent of the principal and the institution contributes 10 percent. The student pays no interest until after he has terminated (or deferred) the study for which he is eligible for loan funds, at which time interest begins to accrue at the rate of three percent per year. By statute, the federal capital contribution initially was limited to $250,000 to any institution in a given year, but this amount was increased to $800,000 in 1962. The limitation was removed entirely in 1964.

In addition, in 1964 the original provision for special consideration (a) to students with superior academic backgrounds who expressed a desire to teach in elementary or secondary schools, and (b) to students whose academic background indicated a superior capacity or preparation in science, mathematics, engineering, or a modern foreign language was amended to provide simply for special consideration to all students with superior academic backgrounds. Later in this report it is recommended that the qualification of "superior academic background" be eliminated.

Also in 1964, eligibility for loans under the NDSLP was extended to students carrying at least half of the normal full-time academic program, so that many part-time students became eligible for financial aid for the first time. Students in accredited public and private non-profit post-secondary business schools and technical institutes also were made eligible to participate.

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(1) Shirley Radcliffe, "College and University Student Loan Programs." Higher Education, 1958, pages 1-6

Initially, students could borrow $1,000 a year up to a total maximum of $5,000. This limit was increased in 1964 for graduate and professional students to $2,500 a year, and the total maximum for these same students was limited to $10,000 (for the undergraduate and graduate years).

To prevent borrowers from being unduly burdened by the necessity of immediate repayment and to insure that indebtedness would not adversely affect post-graduate plans, the law provided for the deferment of repayment and cancellation of interest during any period of full-time study and for a maximum of three years of military service. Later amendments included similar deferment periods for Peace Corps and VISTA service. In addition, provision was made for deferment of principal payment without interest cancellation for hardship cases and for up to three years of part-time study.

The most controversial feature of the NDEA was the loyalty oath and disclaimer affidavit requirement, which caused a limited number of institutions to refuse to participate. In October 1962, an amendment to the Act eliminated the disclaimer affidavit as a requirement for a loan but retained the loyalty oath requirement. In 1968, several institutions still do not participate because of the loyalty oath.

A summary of the activity of the National Defense Student Loan Program for fiscal years 1959 through 1967 is shown in Table 4. The growth and effectiveness of the program is evident from an analysis of these data.

Table 4

NATIONAL DEFENSE STUDENT LOAN PROGRAM
SUMMARY OF ACTIVITY 1959-1967

Fiscal Year	Number of Institutions Participating	Number of Student Borrowers	Amount Borrowed (in thousands)
1959	1,181	24,831	$ 9,502
1960	1,357	115,450	50,152
1961	1,410	151,068	70,963
1962	1,476	186,465	89,109
1963	1,526	216,930	103,732
1964	1,560	246,930	127,100
1965	1,616	319,974	153,900
1966	1,639	377,448	216,600
1967 (est.)	1,722	394,359	218,000
			$1,039,058

In 1959, the initial partial year of operation of the program, a total of 1,181 institutions participated. In fiscal year 1967, the number of institutions participating had increased by 45 percent to 1,722.

The increase in the number of borrowers is even more striking. In fiscal year 1960, the first full year of operation, 115,000 students borrowed funds under the program. By fiscal year 1967, almost 400,000 students were borrowing National Defense Student Loan funds. During this eight-year period, the average amount borrowed per year increased from $435 in 1959, to $553 in 1967. Table 4 reveals also that the total amount borrowed has increased from $50 million to $218 million from 1960 through 1967. On the basis of evidence presented later in this report, it is safe to say that there would have been more borrowers with larger average borrowings if more NDSLP funds had been made available.

That the National Defense Student Loan Program has been a success is evident from all sources of information consulted for this study. Of the respondents to the questionnaire sent to institutions of higher education[2] only two percent indicated that the program was unsuccessful in providing for the needs of students at their institutions. This same conclusion was reached by the study staff after analysis of printed reports, Congressional testimony and discussions with representatives of the educational institutions and the Office of Education. Many of those involved, however, have pointed out some aspects of the program that could be modified to increase its effectiveness. These are discussed later in this chapter.

Study of Attitudes of Student Borrowers

As part of this overall study of federal loan programs, the College Entrance Examination Board has subcontracted with the Bureau of Applied Social Research of Columbia University to do an exploratory small-scale study of the attitudes of people who have borrowed under the National Defense Student Loan Program to determine whether a large-scale study is warranted and what direction it should take if it should be done.

The Bureau of Applied Social Research has sent a questionnaire to some 300 students of the class of 1965 at four or five different types of schools in the Metropolitan New York region. The questionnaire is intended to explore what students think of their indebtedness and how the loan has affected their lives and plans since leaving college.

At the time this report was concluded the pilot study by the Bureau of Applied Social Research was still in process. Its results will constitute an addendum to this report. It is hoped that its results will be helpful for a large-scale study.[3]

(2) This questionnaire is reproduced as an Appendix to this report.

(3) The results of the pilot study on the impact of borrowing on students have been appended as Chapter XII of this report.

Institutional Financial Aid Organization

The great degree of variability in the training, experience, and sophistication of financial aid officers and those responsible for the collection of student loans became apparent during the course of this study. It is only in recent years that many colleges and universities have grappled with the organizing and staffing needed to administer student financial assistance. Many have done little or nothing about it, and many others have dealt inadequately with it. Of the 1,671 institutions that responded to the Questionnaire to Institutions of Higher Education, only 20 percent worked exclusively on the administration of aid programs -- and another ten percent spent at least 90 percent of their working week on them. A total of 29 percent of the respondents spent less than 30 percent of the week administering these programs. In addition, it should be pointed out that 44 percent of the respondents were responsible for NDSLP collections. In previous studies it has been found that a majority of financial aid officers have held this position for less than five years.

Total student financial aid at institutions of higher education was estimated at $2.3 billion in fiscal year 1967, of which $1.4 billion was for undergraduates and almost $850 million for graduate students. The total will continue to grow; the Federal Government's participation will continue to grow. Almost everyone will support this growth if the aid is well and wisely administered. If it is not, students will suffer.

It is recommended that the U.S. Office of Education urge institutions of higher education to provide adequate staffs to administer student financial aid programs and offer to sponsor training programs to provide the institutions with better trained staff.

B. ADEQUACY AND FUNDING OF NATIONAL DEFENSE STUDENT LOANS

The most serious criticism of the National Defense Student Loan Program reported by respondents to the Questionnaire to Institutions of Higher Education pertains to the adequacy of the amount of funds available to the institutions. A total of 42 percent of the respondents stated that the allocation of funds from the Federal Government to their institution was "inadequate." The degree of dissatisfaction with the amount of federal funds available ranged from 54 percent in private universities to 28 percent in accredited two-year public colleges.

Responses to the questionnaire revealed regional variations in the degree of dissatisfaction with the size of the allocation of federal funds to the individual institutions. Colleges and universities located in the Plains region and in the New England region were most dissatisfied (63 percent), and institutions in the Far West and Midwest regions were least dissatisfied (32 to 29 percent).

Amount of Shortage

Of the 1,671 institutions responding to the Questionnaire to Institutions of Higher Education, 1,392 participated in the NDSLP. They represented 81 percent of the 1,722 institutions in the entire country who are participating in NDSLP. The 1,392 respondents reported an average NDSLP allocation of $108,600. If these figures were extended to the total of 1,722 participants, the NDSLP institutional allocations would total $187 million. This figure approximates the Congressional appropriation for the NDSLP for 1968: $190 million, of which $176 million was allocated to institutions.

The 42 percent of the respondents who needed a larger allocation reported an average need of $49,600 in additional funds in 1967. If these figures were extended to the total of 1,722 participants, the shortage in allocations would total $36 million. It is interesting -- in fact, rather remarkable -- that this shortage is almost exactly the same as the difference between the $190 million appropriated for 1968 and the $225 million authorized by the legislation.

On the other hand, it is just as interesting and disconcerting that the shortage of $36 million was not more. During the same fiscal year 1967 almost $248 million was borrowed by students under the Guaranteed Loan Program. It is estimated that at least one-half of this borrowing, or $125 million, was for students in the income levels below $9,000. One reason for stating the shortage at only $36 million could possibly lie in the colleges' dependence on the Guaranteed Loan Program to supply a large amount of their students' needs. But more probably, unfortunately, the colleges have not fully realized the depth of students' needs. It took a relatively new program like the Guaranteed Loan Program to expose the real need that has existed.

Increase in Direct Appropriations Not Recommended

The Federal Government does not want to increase the public debt by making increasingly larger direct appropriations for the NDSLP each year. It wants to see the increasingly larger demand for loan funds met by way of private credit. Because the staff for this study believes this is completely feasible, this report is not recommending larger annual direct appropriations, even though there may be two compelling reasons for doing so.

The first of these reasons is that colleges and universities -- and by indirection, students -- applaud the NDSLP. The institutions, as reported in the Questionnaire to Institutions of Higher Education, are almost unanimously satisfied with the opportunities the program provides to assess the need of applicants, determine who will receive funds, and package NDSLP awards with other aid. For example, 54 percent of them reported that they packaged NDSLP loans very frequently (and 36 percent fairly frequently) with Economic Opportunity Grants (EOG); 38 percent reported very frequent packaging (and 47 percent fairly frequent) with College Work-Study awards (CWS); 33 percent reported very frequent packaging (and 39 percent fairly frequent) with other forms of aid. There is no question that colleges and universities would like to see larger direct appropriations.

During fiscal year 1967, the federal aid received by the 395,000 student borrowers under NDSLP was packaged by the institutions in the following ways.

NDSL only	241,500
NDSL and EOG	64,000
NDSL and CWS	54,000
NDSL, EOG, and CWS	35,500
	395,000

Inasmuch as this is a picture of federal awards only, it should be noted that some of the above 241,500 National Defense Student Loans were packaged with institutional grants, employment, and loans.

The number of federal awards in 1967 in the three programs totalled 610,000. In addition to the above 395,000, there were 181,500 CWS only; 22,000 EOG only; and 11,000 CWS and EOG combined.

The second reason that larger direct appropriations might seem desirable is that it would seem to cost the Federal Government less to sponsor National Defense Student Loans than to sponsor a like amount of Guaranteed Student Loans. This statement is made, however, on the oversimplified basis of interest costs only -- but this should always be the largest expense factor. Table 5 shows the projections of amounts of loans under the Guaranteed Loan Program for fiscal years 1968, 1970, and 1973, as estimated in August 1967 by the U.S. Office of Education Division of Student Financial Aid. It may be that these figures of $1.1 billion of loans outstanding in 1968, $4 billion in 1970, and $9 billion in 1973 will turn out to be on the high side, but the comparison of interest costs under the GLP with the NDSLP will be valid in a relative sense in any case. The comparison assumes that the Guaranteed Loan Program will not be able to continue under a six percent simple interest return and that it will have to add an acquisition and conversion fee of something like $25 to attract the individual lending institutions. On the basis of this limited comparison of interest and fee costs, the Guaranteed Loan Program will cost $32.3 million or 80 percent more than a comparable National Defense Loan Program in 1968, $104.1 million or 65 percent more in 1970, and $198.8 million or 55 percent more in 1973. But, as explained in the notes to Table 5, these figures do not include administrative costs, defaults, and cancellations.

Although colleges and universities would prefer to have larger direct appropriations for the NDSLP, and although it might cost the Federal Government less to do it this way instead of by way of the Guaranteed Loan Program, this report does not recommend larger annual direct appropriations by Congress because it is recognized that the Federal Government does not want to provide increasingly larger direct appropriations for the NDSLP each year, and the staff for this study believes that the equivalent, or more, of these funds can be obtained through private credit. In Chapters VIII and IX of this report it is recommended that the Guaranteed Loan Program be so administered that colleges and universities can use it as a reliable supplement to the NDSLP and that the so-called Revolving Fund be developed as a feasible and acceptable tool for financing loan funds (through Federal National Mortgage Association participation certificates) and employed to its fullest advantage. These two measures should make it unnecessary for Congress to appropriate larger annual amounts for the NDSLP.

(Text continued on page IV-9)

Table 5

COMPARISON OF INTEREST COSTS TO FEDERAL GOVERNMENT

Projected Guaranteed Loan Program compared with the same program under National Defense Student Loan Program

Projected Guaranteed Loan Program		Fiscal Years 1968 (in thousands)	1970	1973
1. Loans outstanding start of year	- Number	379	2,931	9,628
2.	- Amount	$325,900	$2,398,000	$7,587,400
3. New loans during year	- Number	969	2,036	2,711
4.	- Amount	$779,700	$1,694,400	$2,325,300
5. Loans outstanding end of year	- Number	1,348	4,967	11,773
6.	- Amount	$1,105,600	$4,054,600	$9,181,700

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Under Guaranteed Loan Program	1968	1970	1973
7. Interest at 6% for study period	$47,600	$183,000	$386,500
8. Interest at 3% for pay-out period	600	11,100	56,000
9. Acquisition and conversion fees at $25	24,200	69,900	115,800
10.	$72,400	$264,000	$558,300
Under National Defense Loan Program			
11. Interest at 5% for study period	$39,700	$152,500	$322,100
12. Interest at 2% for pay-out period	400	7,400	37,400
13.	$40,100	$159,900	$359,500
14. Guaranteed Loan Program is of greater cost to Federal Government than National Defense Loan Program, on basis of limitations noted above and below, by	$32,300	$104,100	$198,800

(See page IV-8 for Notes to Table 5)

Notes to Table 5

Projections of loan volumes and GLP interest and fee expenses are taken from U.S. Office of Education, Division of Student Financial Aid estimates, August 1967.

The NDSLP interest rate of five percent represents an assumed average cost of the public debt. Actually, the average of the long-term United States Treasury rate for eight years of NDSLP borrowings was closer to 4 1/2 percent.

It has been assumed that acquisition and conversion fees or something similar will be required for the GLP to improve the yield of six percent simple interest to lending institutions.

Administrative costs reimbursed to colleges under the NDSLP, estimated at 0.9 percent of outstanding loans, would be $10 million in 1968, $37 million in 1970, and $83 million in 1973. Federal administrative costs under the GLP cannot be figured at present, mainly because the initiation of direct federal insurance has incurred new costs that are difficult to project into the future; these costs will depend upon the role assumed by the states. No figures have been gathered together on the cost of the present and future periodic payments of interest to all the individual lending institutions by the U.S. Office of Education and the attendant keeping of records.

No comparison is made of the costs of defaults in principal and interest payments. The cost of defaults to the Federal Government will be zero under GLP State Agency procedures, 90 percent under the NDSLP, 80 percent if the GLP reinsurance proposal is adopted, and 100 percent under direct federal insurance.

Cancellations of loans because of death, disability, bankruptcy, and teacher forgiveness have not been accounted for in this comparison.

No Decrease in NDSLP Appropriations Recommended

Although this report does not recommend increased annual appropriations for the NDSLP, it does recommend that the annual appropriations not be decreased in the near future. The demand for student loans is increasing because of increasing enrollments and because increasing numbers of students come from low-income families. In fiscal year 1967 National Defense Student Loans were used by 394,000 students who borrowed $218 million for an average loan of $553. Just three years before, in 1964, the number of borrowers was 247,000 for loans totalling $127 million, or an average loan of $515 (Table 4). In a short three years, therefore, the number of borrowers had increased by 147,000 or almost 60 percent and the amount of loans by $91 million or 72 percent.

It is interesting to note that the 394,000 borrowers in fiscal year 1967 represented almost nine percent of the country's full-time enrollment in higher education. The NDSLP borrowers made up only two percent of the students at the two-year public colleges, six percent at public and private universities, 10 to 12 percent at public and private four-year colleges, and 21 percent at four-year institutions that have reasonable assurance of accreditation.

In addition to the increasing demand for student loans, a second reason for not decreasing NDSLP appropriations in the near future is that although Guaranteed Loans are available in larger quantity, they still do not represent a completely reliable source of aid. National Defense Student Loans are funds actually in hand so that college officers have complete freedom to commit them.

Of the respondents to the Questionnaire to Institutions of Higher Education, 89 percent indicated that they did not plan to decrease the size of their request for NDSLP funds because they expected students to obtain loans through the Guaranteed Loan Program. In 63 percent of the institutions the respondents went on to say that they would not reduce or eliminate the National Defense Student Loan Program even if Guaranteed Loans were readily available and could be used for matching funds from the Economic Opportunity Grant Program.

Neither of these opinions is necessarily in conflict with the opinion stated above that the relatively low shortage of $36 million reported by colleges may be accounted for by their dependence on Guaranteed Loans. It is readily understandable that the colleges do not want to see NDSLP phased out of existence, particularly in the near future. In fact, it is surprising that after only one year's experience with Guaranteed Loans as many as 37 percent of the respondents were willing to reduce or eliminate the NDSLP if Guaranteed Loans were readily available and could be used for matching with the EOGP. This 37 percent was generally representative of both large and small institutions and both full-time and part-time financial aid officers.

NDSL as Revolving Funds at Institutions

A third reason for not reducing the direct annual appropriation for the NDSLP in the near future is that the NDSL funds have not reached the point where repayments of principal and interest far outweigh the charges for administrative costs and the cancellations for teachers, death, disability, and bankruptcy -- and make the NDSL funds truly revolving.

As of June 30, 1967 the Federal Government had contributed $902 million and the institutions $100 million to NDSLP. This total fund of $1,002 million had produced $1,039 million in borrowings (see Table 6). The difference of $37 million after 8 1/2 years represented the repayments of principal and interest minus the unused loan funds on June 30, 1967, and minus administrative costs and cancellations for teachers, death, disability, and bankruptcy.

As originally conceived, the National Defense Student Loan Program was to be financed in a manner similar to a revolving (or turn-over) fund. Repayments by borrowers were to equal approximately the amount loaned each year. Annual appropriations to the fund would be made to replace loan cancellations, defaults, and reimbursements for administrative expenses.

When could and should the NDSL funds be phased into a revolving (turn-over) fund for which repayments of principal and interest would largely determine the amount to be loaned each year? The very first consideration, of course, is the future demand for loans for students in financial need. It is known that this demand will increase, but it is not known by how much. It is suggested that the Office of Education sponsor a study (it could be of very modest dimensions) to determine the five-year future demands for National Defense Student Loans under varying sets of circumstances. This study should be coordinated with, or possibly even made part of, the projections recommended in this report in Chapter VIII on Guaranteed Loans. There it is recommended that a task force be assigned to identify all the elements involved in estimating future requirements of Guaranteed Loans and that each state should be requested to prepare its projections for the next five years.

A second factor in the phasing of NDSL funds into a revolving (turn-over) fund will be the success achieved in operating the Guaranteed Loan Program: in assuring a certain volume of loan funds under the GLP, in making the availability of Guaranteed Loans reliable, and in administering the GLP so that it is of maximum benefit to institutions and students. When these two factors can be assessed, then it can be determined whether NDSL funds can be reduced at all or reduced to a point where annual appropriations merely replace loan cancellations, defaults, and administrative expenses. Implicit in such determination is the need to peg the total amounts to be borrowed annually under the NDSLP at some reasonably definite figure of $200, $300, or $400 million.

In summary, it is recommended that the annual direct appropriation for the NDSLP not be decreased below its 1968 level for at least the near future. In making this recommendation it is understood that the annual direct appropriation can be reduced by the amount made available through the Revolving Fund (that is, through Federal National Mortgage Association participation certificates; this Revolving Fund should not be confused with the revolving turn-over fund). As discussed in Chapter IX of this report, the study recommends the enactment of a modified form of the legislation introduced in 1966 and reintroduced in 1967 to make the Revolving Fund available as a device to utilize private credit for part of the financing of the NDSLP, on the understanding that the Revolving Fund can be made a feasible and acceptable tool for the colleges and universities.

Table 6

NATIONAL DEFENSE STUDENT LOAN PROGRAM
CAPITAL CONTRIBUTIONS VS. BORROWINGS
(in millions)

Fiscal Year	Amount Borrowed	Capital Contributions Federal	IHE	Total	Difference between Borrowings and Contributions
1959	$ 9	$ 30	$ 3	$ 33	$-24
1960	50	40	5	45	5
1961	71	58	6	64	7
1962	89	75	8	83	6
1963	104	90	10	100	4
1964	127	109	12	121	6
1965	154	145	16	161	- 7
1966	217	179	20	199	18
1967	218	176	20	196	22
	$1,039	$902	$100	$1,002	$ 37 (1)

(1) Difference should represent repayments of principal and interest minus unused loan funds and minus cancellations for teachers, death, disability, and bankruptcy and minus reimbursements for administrative costs.

C. ADMININSTRATION OF THE NATIONAL DEFENSE STUDENT LOAN PROGRAM

Personnel

It is reasonable to assume that the administration of any program that involves more than one billion dollars and more than 1,700 colleges and universities will result in many problems and in dissatisfaction on the part of some of the institutions participating in the program. However, as has been stated previously in this report, the vast majority of institutions feel that the National Defense Student Loan Program has been successful. In fact, only two percent of the institutions stated that the program was "unsuccessful" in providing for the needs of their students.

In addition to expressing their general satisfaction with the program, the institutions responding to the Questionnaire to Institutions of Higher Education were pleased with their relationship with the regional offices of the U.S. Office of Education. Of the institutions responding to the Questionnaire, only 4 percent stated that their experience was "unsatisfactory."

The questionnaire study of the U.S. Office of Education that was conducted in the fall of 1966 by the Special Subcommittee on Education of the House of Representatives included questions about the relationship between the educational institutions and U.S. Office of Education personnel. Of the 465 institutions that responded to that questionnaire, a total of 35 percent stated that the regional Office of Education personnel were very useful in providing information or assistance in administering the program. A total of 24 percent of those responding indicated that the Office of Education publications were the most helpful of all the sources they consulted. In general, 74 percent of the respondents stated that they received sufficient guidance from the Office of Education in administering their aid programs. Almost 80 percent of the institutions considered the student financial aid personnel in the regional offices to be "knowledgeable," without reservation.

Responses to the subcommittee questionnaire also indicated that the institutions considered Office of Education information regarding the National Defense Student Loan Program to be clear (90 percent) and issued on a timely basis (86 percent). However, 98 percent of the institutions urged the distribution of a regular monthly newsletter from the Office of Education as a means of keeping the institutions informed about changes in student aid programs. Finally, only five percent of the institutions stated that the Office of Education was interfering with the internal operations of their institution.

In summary, the institutions of higher education have been quite laudatory regarding the personnel of the Office of Education who are involved in the administration of the National Defense Student Loan Program.

Conditions for Participation

Since only students who attend institutions that participate in the National Defense Student Loan Program may borrow NDSLP funds, an analysis of the conditions for institutional participation and of the reasons for non-participation is appropriate. As was stated in the introductory section of this chapter, a total of 1,722 institutions were participating in the program during fiscal year 1967.

In order to participate in the program, an institution must offer an educational program of at least one year of study beyond the secondary school level. This program must prepare students for gainful employment or provide study that is acceptable for full credit toward a bachelor's degree. The institution must be accredited by a regional association or present other evidence of the quality of its educational program. Only public and non-profit institutions are eligible to participate.

Each institution must establish a separate fund into which it has deposited and maintained an amount equal to at least one-ninth of the capital contribution it has received from the Federal Government. In addition to the capital contributions, this fund consists of student repayments of principal and interest, late payment charges paid by students, and other earnings of the fund. The fund may be disbursed in the form of loans to borrowers, routine administrative expenses incurred by the institution, and the cost of litigation and other collection costs.

Of the 1,671 institutions that responded to the Questionnaire to Institutions of Higher Education a total of 83 percent participated in the National Defense Student Loan Program. Of the 279 institutions that did not participate, 70 percent are two-year institutions. Among the respondents, the most frequent reason cited for failure to participate in the program was the cost the institution would incur in administering it; 85 institutions made this statement. A total of only 49 institutions stated that they did not participate because of the need to contribute ten percent of the capital of the fund.

The requirement that a participating institution contribute ten percent of its capital fund seems to be a fair and reasonable measure for co-partnership with the Federal Government and for sharing of losses of principal. It is recognized that some institutions, including large public universities, make great efforts to raise their share through campus and private activities. The program already makes provisions for institutions to borrow their ten percent portion, if need be, from the Federal Government. No modification is recommended in the requirement that a participating institution contribute ten percent of its capital fund.

Procedure for Institutional Allocations

Funds for the federal capital contribution are first allocated to the state in which the institution is located. The allocation to each state is based upon the number of students enrolled on a full-time basis in institutions of higher education in the state in proportion to the number of such students in the entire United States.

Requests for funds from an individual institution are evaluated by a panel of educators in various regions of the country and approved or disapproved by the Commissioner of Education. The actual amount of federal funds received by the institution is determined by the following formula:

$$\frac{\text{Institution's approved request}}{\text{Total approved requests in state}} \times \text{State allotment} = \text{Institution's allocation}$$

Although there is a relatively equitable distribution of funds within a state, the amounts alloted to the states are not necessarily equitable. The formula for determining the state allocation does not take into consideration two important factors. First the number of students enrolled in high-cost institutions varies radically from one state to another. In general, more students attending such high-cost institutions demonstrate greater financial need than those attending low-cost institutions. Second, the formula for determining the state allocation does not take into consideration the distribution of income among the states. It is reasonable to assume that students residing in a state with an annual average income below the national average will have greater financial need than those residing in other states. Under the College Work-Study Program, for example, the family income level is one of the factors that determines allotments to states.

Both of these factors are illustrated to a degree by the responses to the Questionnaire to Institutions of Higher Education on the question of adequacy of allocation. As discussed in section B of this chapter, 42 percent of the respondents stated that their NDSLP allocation was inadequate. But the percentages of complaints from the higher-cost institutions were higher: 54 percent of private universities and 48 percent of private colleges versus 44 percent of public colleges and universities. Complaints came from 52 percent of the respondents in states where the per-capita income is $2,050 or less and from 38 percent in states where per-capita income is $2,474 or more.

In the past, a number of states received a total allotment from the Federal Government that exceeded the total amount of the approved requests from institutions within the state. In such cases, the excess funds were redistributed to states where approved requests were greater than the total amount of federal funds allotted to such states.

This "spillover" procedure contributed significantly to the correction of some of the inequities in the procedures. Unfortunately, on January 1, 1967, the Bureau of the Budget prohibited any subsequent use of the "spillover" procedure.

It is realized that no procedure for distributing $190 million to 1,722 institutions will be satisfactory or completely fair to all of them. It would seem, however, that if an across-the-board cut has to be resorted to, it would be fairer to make such an across-the-board cut on a state or regional basis rather than on a national basis, that is, if the aforementioned factors of high-cost institutions and distribution of income can be taken into consideration.

In the belief that these factors can be considered, although this study has not investigated all the pros and cons of the state versus the regional versus the national basis of allocation, it is recommended that the procedure for allocating the federal capital contributions be based on a state or regional allocation to take into consideration the number of students enrolled in high-cost institutions and the income distribution of college-going students, as well as the factor now used of the number of full-time students in higher education.

Further, it is recommended that no allocation to a state or region be allowed to lapse, that funds not used in a state or region be reallocated to states or regions where insufficient funds have been allotted.

Timing of Allocation Notifications

The first major source of dissatisfaction with the National Defense Student Loan Program was as reported, the inadequacy of loan funds. The second major complaint pertains to the timing of notification to individual institutions of the funds that they will have available to lend to their students. A total of

50 percent of the respondents to the Questionnaire to Institutions of Higher Education stated that the timing of notification was "unsatisfactory." This 50 percent represented institutions with 55 percent of the total enrollment. Private universities were most dissatisfied (77 percent). The notification date was also considered to be a major source of dissatisfaction by women's private colleges (67 percent), by public universities (64 percent), and by other private colleges (59 percent). In addition, 27 percent indicated that they were hampered in making firm commitments to needy students.

In most colleges it is necessary for a prospective student to obtain a commitment regarding financial aid from the institution before he can decide whether or not to accept an offer of admission. In colleges that have a strict limitation on the number of entering freshmen, the financial aid officer is unable to make a firm commitment regarding the awarding of a National Defense Student Loan until he receives notification of the total amount of the federal capital contribution that his institution will receive for the coming academic year.

During the past several years, this official notification to the institution has not been received until the summer months. As a result, many financial aid officers are unwilling to commit funds from the NDSLP to entering freshmen. If the actual amount allotted to an institution is significantly less than the amount anticipated, most institutions give a priority to upper-class students in the awarding of loan funds. They are unwilling to make firm commitments to entering students, for fear that some upper-class students may be forced to discontinue their education from lack of adequate financial aid to meet their expenses.

Almost all institutions responding to the questionnaire indicated that they need to receive notification before June 1 of the specific allocation of NDSLP funds for the fall term. The majority of them preferred notification before April 1. It is recommended that Congress revise its schedule of appropriations to permit notification at least three months before the beginning of the fiscal year of the NDSLP funds to be made available to the individual institutions.

Instructions and Reporting Procedures

The staff of the Office of Education is responsible for keeping representatives of the educational institutions informed of any changes in the policies or procedures of the National Defense Student Loan Program. A total of 42 percent of those who responded to the Questionnaire to Institutions of Higher Education stated that the instructions they had received were "very clear" and an additional 54 percent stated that the instructions were "fairly clear." Hence, there was only a very small four percent who found them unclear of did not know of them.

Individual comments stated a dissatisfaction with the fact that a comprehensive, accurate manual of policies and procedures had not been issued during the two-year period preceding the completion of the questionnaire in the summer of 1967. A new manual was distributed to the institutions in August 1967, however, and it incorporated changes that resulted from the passage of the Higher Education Act of 1965.

In any loan program such as the NDSLP, complex reporting procedures are to be expected. However, only 14 percent of those responding to the questionnaire felt that the reporting procedures were "unreasonable." Apparently the evaluation of the reporting procedures varied according to the size of the institution and the number of student accounts. A total of 33 percent of the public universities -- in other words, the larger institutions -- found the reporting procedures "unreasonable."

Some institutions complained that the reporting procedures were set up on the assumption that the institutions had data-processing equipment and procedures. On the other hand, institutions that had data-processing equipment were disturbed by the fact that the reporting procedures had been changed in successive years, necessitating major changes in the programing of their data-processing system.

The institutions that responded to the questionnaire from the House of Representatives Special Subcommittee on Education were more critical of reporting procedures. Only 24 percent stated that they were not unduly burdened by Office of Education questionnaires relating to the NDSLP. More than 87 percent of the institutions indicated that one reason for a delay in submitting reports was the difficulty in anticipating the statistical information that would be necessary to complete the report. Almost without exception, the institutions indicated that they needed a minimum of one to three months advance notice in order to make adjustments in procedures to accommodate changes in the report form.

It is recommended that the staff of the U.S. Office of Education make every effort to continue to simplify and to standardize reporting procedures but also make every effort to avoid frequent changes.

Eligibility Criteria and Institutional Restrictions

For an individual student to be eligible for a loan from a participating institution, he must be a citizen or a national of the United States or must express an intention to become a permanent resident. In addition, he must be capable of maintaining good academic standing in a graduate or undergraduate program of studies equal to at least one-half of the full-time workload as determined by the institution. Special consideration in awarding loans is to be given to students "with a superior academic background."

The 1967 Manual of Policies and Procedures for the National Defense Student Loan Program states: "The primary and most essential condition of an applicant's eligibility for a National Defense Student Loan is that he is in need of the requested loan in order to pursue his course of study during the period for which the application is made."

In determining the financial need of the applicant, the institution must take into consideration a reasonable contribution from his family, the earnings and savings of the student, and any other sources of support such as scholarships, grants, loans from non-federal sources and so forth. From the resources available to the student, all college-related expenses are deducted to determine the approximate amount of financial assistance for which the loan applicant is eligible. Special provisions have been established for determining the financial need of applicants who are married, who are financially independent of their parents, or who are pursuing a course of study required by a religious group of which they are a member and from whom they receive financial support.

Although the criteria for eligibility appear to be quite liberal, 50 percent of the respondents to the Questionnaire to Institutions of Higher Education stated that they placed addditional restrictions upon needy full-time students who applied for loans. The greatest number of these institutions (76 percent) do not award loans to students whose grades are below an institutional standard for receiving aid, although these students are in good academic standing. Full-time students enrolled in evening programs were not awarded loans by 13 percent of those institutions which imposed restrictions. Other categories of students excluded from the program by the educational institutions included first-semester students (11 percent), transfer students (eight percent), and married students (five percent).

Despite the fact that these restrictions were probably imposed as a result of these institutions having limited funds available for loans, concern must be expressed over the additional criteria that these institutions have established. A grade-performance criterion may discriminate against students from low-income groups whose time available for study is limited by the need for part-time employment. Similarly, the use of high school grades and tests of scholastic aptitude to determine those students who will receive "special consideration" may be detrimental to students entering college from a culturally deprived background.

A number of institutions tend to restrict aid for at least two reasons to evening students and students who are married. Typically, these students present a financial statement from which it is difficult to determine the actual financial need of the individual. In addition, many financial aid officers tend to interpret the fact that an applicant, or his spouse, is employed as an indication that the applicant has little, or no, financial need. This problem is especially prevalent with married students or students who are financially independent of their parents.

Although the freedom of the educational institutions to determine the students to whom they award loans should not be limited, it is recommended that these additional restrictions on needy students be called to the attention of the financial aid officers as possible sources of discrimination. It is recommended also that the provision in the NDSLP legislation requiring that special consideration be given to students "with a superior academic background" be eliminated. This qualification is not consistent with the intent of the Federal Government to grant aid to students in financial need who are able to maintain good academic standing in higher education. Financial need must be emphasized as the primary criterion for allocation of loan funds.

Other Recommendations Affecting the NDSLP

Chapter X of this report, which is devoted to "Uniformity of Provisions in Loan Programs," contains discussion of three loan program provisions that are part of the NDSLP.

1. In order to provide the financial aid officer with the flexibility to award a larger loan to students who encounter unexpected expenses during a particular year of college study, it is recommended in Chapter X that the present maximum of $1,000 per year for an undergraduate be increased to $1,500 in each of the federal loan programs. Changes are not recommended for any of the other limits under the NDSLP.

2. In the case of the student pursuing less than half-time study, the NDSLP permits deferment of repayment of principal at the option of the lending institution, but the student pays three percent interest. This is but one more complicating factor in a program already over-generous with deferments, and hence it is recommended in Chapter X that this kind of deferment should not be extended to other federal loan programs and that it should be removed from the NDSLP.

3. There is a discussion of the pros and cons of requiring a student to pay full six percent interest on his loan during the pay-out period. There was not a sufficiently strong case made to warrant recommending the removal of the subsidy.

D. COLLECTION OF LOANS

The original legislation for the NDSLP provided for the educational institution to collect loans, plus interest thereon, in annual installments over a ten-year period, and for the repayment period to begin one year after the date on which the borrower ceases to pursue a full-time course of study at an institution of higher education and end 11 years after that date. The provisions for deferment of repayment for those pursuing at least a half-time program of study and for other reasons have been outlined in the introductory section of this report.

A number of previous studies have pointed out the problems that educational institutions encountered in the collection of loans from borrowers under the NDSLP. As a result of recommendations based on these studies, significant changes have been made in the policies and procedures of the program, especially through the Higher Education Act of 1965.

As a result of the 1965 amendments to the law, new loans can no longer be billed on an annual basis; the grace period is reduced from 12 to 9 months; and minimum payments are permitted. Loans made after November 8, 1965, plus interest, must be repaid over a ten-year period in monthly, bimonthly, or quarterly installments beginning nine months after cessation of at least one-half of full-time study. In addition, loans made after November 8, 1965, must be repaid at a minimum of $15 per month, if required by the institution.

Nature of the Credit Risk

As part of the present study, inquiries were made regarding the collection experience in the educational institutions. A total of 25 percent of those responding to the Questionnaire to Institutions of Higher Education stated that their experience with collection was "unsatisfactory." By the very nature of the program some difficulties with collection are to be expected. The NDSLP is intended to assist students who would be unable to finance their college education without these loans. Usual credit standards cannot be applied, nor can usual credit results reasonably be expected.

The information in Table 7 clearly indicates that NDSLP funds are being utilized by students from lower income groups as was intended. Many bankers would consider borrowers at these income levels to be in a "high risk" category. Educational institutions have little or no basis on which to estimate, at the time the loan is made, whether the individual borrower is a "good credit risk." After all, financial need has to be the major criterion and, in the huge majority of cases, the only criterion. For most college students, their participation in the National Defense Student Loan Program constitutes the first time that they have borrowed any substantial sum.

Responses to the questionnaire showed that 44 percent of the financial aid officers (part time as well as full time) are responsible for the collection of loans. Only 56 percent of the respondents to the questionnaire indicated that they expected to collect at least 95 percent of the amount they have loaned under the NDSLP; 78 percent expected at least 90 percent. For the Guaranteed Loan Program, 80 percent of the lending institutions rather surprisingly expected to collect at least 95 percent, and 94 percent expected at least 90 percent of the loans to be collected.

Table 7

COMPARISON OF FAMILY INCOME LEVELS

NDSL BORROWERS (1)			College-Going Student Families			
Gross Family Income	1965-66	1966-67	Gross Family Income	Families of College Students in Mass. (est) (2)	Selected Groups of Undergrads, In-State Residents of Calif. (3)	Estimated Parental Income ACE Study (4)
$ 0- 2,999	23%	23%	$ 0- 3,999	6%	4.6%	6.6%
3,000- 5,999	31	29	4,000- 5,999	12	6.6	12.9
6,000- 7,499	18	17	6,000- 7,999	13	10.5	17.3
7,500-11,999	22	25	8,000- 9,999	15	12.5	16.9
			10,000-12,499	20	18.4	25.2
12,000-14,999	4	4	12,500-14,999	15	12.9	
15,000 or more	2	2	15,000 or more	19	34.5	21.1
	100%	100%		100%	100.0%	100.0%

(1) USOE. Division of Student Financial Aid, Unpublished data
(2) G. Taylor and R. Kates, 'Student Financial Aid in the Commonwealth of Massachusetts,' Unpublished study, 1967
(3) J. Nelson, 'University of California Financial Aid Study,' Unpublished study N=51, 663
(4) A. Astin, R. Panos and J. Creager, 'National Norms for Entering College Freshmen - Fall 1966', American Council on Education, 1967 N=254, 480

The colleges and universities have stated that the types of students who become delinquent and may eventually default are:

1. Dropouts and withdrawals.
2. Graduates who have particularly heavy loan indebtedness.
3. Graduates who have met with lack of career success.
4. Girls who have married.
5. Cases of hardship caused by illness, family circumstance, and so on.

These are not surprising factors, but at least three of them cannot be anticipated and, therefore, add to the uncertainty of the "credit risk."

It is difficult, therefore, to make a valid judgment regarding the collection experience of institutions participating in the NDSLP, except, of course, in the most extreme cases. No other loan program in history of such dimensions -- until the recent advent of the Guaranteed Loan Program -- has been instituted with so many features which militate against such a judgment. Even the criteria for evaluating "delinquency" are subject to question.

Rate of Delinquency

The Office of Education computes a rate of delinquency by dividing the total amount of payments past due at the end of a given year by the sum of the total payments due that year and the total of past-due payments carried over from previous years. On this basis, in fiscal year 1964, the rate of delinquency was 16.5 percent. In 1965 the rate was 17.0 percent, and in 1966 it was approximately 19.5 percent. This form of calculation misrepresents the delinquency situation. It carries into the current year, in both numerator and denominator, only the past-due payments from the previous years and gives no cognizance to the payments collected during the previous years.

The delinquency rate that would seem to be most meaningful would be the principal amount of loans in arrears divided by the principal amount of loans in repayment stage. The principal amounts, however, are not reported by colleges. In addition to denoting the delinquency rate, reporting of the principal amount of the loans in arrears would give a year-by-year indication of the losses that might be incurred through defaults.

A second best delinquency rate could be derived by dividing the number of borrowers in arrears by the number of borrowers in repayment stage. This information is already available. Table 8 has been computed using this basis. It shows that the delinquency rate was 8.4 percent at the end of fiscal year 1964, 10.7 percent at the end of fiscal year 1965, and 12.7 percent at the end of fiscal year 1966. These figures compare with 16.5 percent, 17.0 percent, and 19.5 percent, respectively, figured on the basis currently used by the Office of Education. It is very interesting to note in Table 8 that the percentage of borrowers in arrears from one year to three years was remarkably stable at 2.9 to 3.0 percent during 1964, 1965, and 1966. Those in arrears more than three years increased from 0.4 percent on June 30, 1964, to 1.2 percent on June 30, 1966, again reflecting the cumulative carry forward of past-due accounts.

Table 8

NATIONAL DEFENSE LOANS DELINQUENCY

On Basis of Number of Accounts in Arrears
as of June 30, 1964, 1965 and 1966

	As of June 30					
	1964		1965		1966	
Number of terminal borrowers since inception of Program	372,796		495,866		651,997	
Borrowers who have completed repayment	22,497		28,410		42,329	
Borrowers whose loans were cancelled by:						
Death	882		1,334		1,961	
Disability	13		20		30	
Bankruptcy	47		117		203	
Total deductions	23,439		29,881		44,523	
Number currently in repayment stage	349,357		465,985		607,474	
Number of terminal borrowers in arrears:						
One year or less	17,578	5.0%	31,984	6.9%	52,239	8.6%
Over one year - to two years	6,666	1.9	8,811	1.9	11,403	1.9
Over two years - to three years	3,818	1.1	4,887	1.0	6,190	1.0
Over three years	1,440	0.4	4,120	0.9	7,255	1.2
Number in arrears and Percentage of borrowers in repayment stage who are in arrears	29,502	8.4%	49,802	10.7%	77,087	12.7%

The largest increase in delinquency was in the arrears of one year or less, which went from 5.0 percent on June 30, 1964, to 8.6 percent on June 30, 1966. Any measure of delinquency is subject to inaccuracies, particularly during the first year a loan is considered to be in the repayment stage. Borrowers are counted as delinquent if they fail to submit, before the due date of a payment, evidence of their eligibility for cancellation or deferment of the payment, or if this evidence is not processed and validated before the due date. Failure to submit evidence or to have it processed before the due date undoubtedly accounts for part of the large 8.6 percent delinquency mentioned above.

Another problem is the different periodicities of billing employed by institutions. The Questionnaire to Institutions of Higher Education revealed that 12 percent of the respondents bill most of their students currently graduating on a monthly basis, 46 percent quarterly, and 41 percent annually. Hence, delinquencies of one day, of one week, of one month, connote various degrees of seriousness. Even though annual billing is not permitted on loan accounts new after November 8, 1965, it is a matter for concern that so large a number of institutions still have so many students on an annual billing basis. This is too long a period for effective repayment results.

It is recommended that the method of computing the rate of delinquency be changed. First preference is for using the principal amount of loans in arrears divided by the principal amount of loans in repayment stage, or alternatively, the number of borrowers in arrears divided by the number of borrowers in repayment stage.

Write-Off Procedure

Another factor that tends to inflate any measure of delinquency results from the fact that there is no provision in the National Defense Student Loan Program for an institution to declare a loan in default and to remove the loan from current accounts. Technically, no loans under the program are currently in "default," since the maximum period for repayment has not expired for even the initial borrowers. Because there is no provision whereby an institution can declare a loan "uncollectible" and remove it from current accounts, the annual reports become loaded with more dead wood each year, which contributes to unrealistic evaluations of delinquency in repayments. This problem has been cited previously by members of the United States Office of Education staff and by the participants in the 1965 American Council on Education Roundtable Conference on the NDSLP.

Removing the defaulted dead wood would not only make the delinquency rate more meaningful but would put the principal of the loan funds in proper perspective and reveal the actual and potential losses through default.

It is recommended that the following procedure, or something similar to it, be introduced to resolve the "write-off" problem.

1. If a borrower has failed to make a payment for a period of 36 months and has not received institutional approval for a deferral or cancellation of payment, the loan must be written off and declared in default.

2. If, during this period, the institution or its agent has resorted to litigation that has resulted in a judgment that payment is uncollectible, the entire amount of the outstanding principal and interest may be charged against the NDSLP fund at the institution. Therefore, the Federal Government bears 90 percent of the default, and the institution ten percent.

3. If, during this period, the institution has become satisfied that for sufficient cause the loan will be uncollectible and should not be litigated, the institution must present the case to the Office of Education for writing off. If the Office of Education approves, the entire amount of the outstanding principal and interest may be charged against the NDSLP fund at the instituion.

4. If, during this period, the institution or its agent has not pursued litigation to conclusion or received the approval of the Office of Education to write off the loan, the entire amount of the principal and interest outstanding must be repaid to its NDSLP fund by the institution.

The Advisory Committee for this study in its deliberations reacted strongly against the proposed write-off procedure as it was originally written requiring litigation as the only acceptable procedure for charging the loan against the fund. The above procedure as revised recognizes extreme hardship or other sufficient cause for write-off, if the cause is acceptable to the Office of Education.

A second point of concern on the part of the Advisory Committee was the long time period before the write-off would be made. In contrast to commercial practices and the policies of state guaranteed loan agencies, which wait a 90 to 120 day period before declaring a loan in default, the period of 36 months is very lengthy. However, the availability of deferment and cancellation provisions are a source of confusion that take extra time to determine. The mobility of students causes additional problems in locating and communication. Educational institutions and their agents must have extra time to pursue all means for collection and, if necessary, to pursue litigation to completion before the loan is written off.

The intent of the write-off procedure proposed here is to require the institutions to use all means, up to and including litigation, to collect loans. It places the responsibility for collection where it belongs, in the hands of the institution, and is intended to keep the Federal Government out of the loan collection business.

A review of published Government memos and manuals indicates a gradual trend toward a federal requirement that litigation be pursued by institutions routinely if they are to show "due diligence" in the collection of loans. The procedure proposed here would preclude the Office of Education from requiring as a matter of course that all instituions pursue litigation in all delinquent cases in order "....to protect the financial interest of the United States." It would leave to each institution the task of weighing the advantages and returns of litigation proceedings in loan defaults against the possible costs both in dollars and relationships with alumni in individual cases.

The proposed procedure would preclude the Office of Education, since its interest has been protected, from requiring that notes that have been written off be forwarded to the Office of Education for collection by that office or any other arm of the Federal Government. The initiation of a federal collection effort for loans that have been made by institutions of higher education can only serve to damage the relationship between the Federal Government and the institutions and to limit the incentive for improvement in institutional collection efforts. Such a federal effort is not necessary under the proposal because the institutions would be responsible for maintaining collection efforts when litigation has resulted in a judgment that payment is collectible. The regular auditing procedures now used by the Office of Education would be continued.

The write-off procedure proposed here would affect an estimated one to two percent of the student loan accounts now in the repayment stage. It is estimated that this percentage would be decreased when the write-off procedure became established. Although the procedure will require more time and effort and, hence, money, it does not require the institutions to do more than they should do. Other benefits will be realized in terms of a greater appreciation by Congress and the general public of the sound policies and procedures under which the program is being operated to protect the interests of the institutions and the Federal Government.

Central Collection of Loans

Another important way to increase the effectiveness of loan collection that appears to merit special consideration is to establish or make use of central collection agencies. Various attempts have been made to establish such agencies or to use already existing agencies.

At the present time, all units of the State University of New York may utilize a central collection service that has been established to collect National Defense Student Loans. During the period of 1964 to 1965, this service reduced the number of payments past due by 317 accounts and reduced the number of delinquencies by more than $24,000. This experience occurred during a period when most institutions were experiencing an increase in the number of delinquent accounts. At the end of fiscal year 1966, the State University of New York had a delinquency rate of four percent, figured on the basis of numbers of borrowers in arrears, which compares with the overall national average of 14 percent. Other efforts to collect loans on a joint basis include those of the Associated Colleges of the Midwest; of 20 institutions in the Cleveland area; of the Kansas City Regional Council for Higher Education; of a North Carolina bank collecting for a number of colleges; and of a Chicago bank collecting for 70 institutions. According to available reports, these efforts have resulted in an improvement in the collection of National Defense Student Loans.

In August 1964, the Association of Colleges and Universities of the State of New York initiated a study and a proposal to establish a private, non-profit agency to collect all National Defense Student Loans and other institutional loans for New York institutions. In order to make the program economically feasible, a minimum of 5,000 loan accounts had to be handled at the start by the agency. Unfortunately, this minimum was not reached and the proposal was dropped by the association.

1. Advantages of Central Collection of Loans

Among the advantages that have been cited in support of the central collection of loans are the following.

1. For most institutions, the cost of collection through a central agency will probably be less than the cost of collection by the institution itself. It is impossible to document this opinion, because good unit costs are usually not available in most institutions. More important, however, is the qualitative versus the quantitative results. Colleges are notoriously understaffed for administrative functions, and too often the collection of loans becomes one more function for an already over-busy staff member. Hence, collection will be handled, but not necessarily handled well.

   The figures for central collection submitted to the Association of Colleges and Universities of the State of New York and to the Associated Colleges of the Midwest showed that an agency that had 10,000 accounts could operate at a per-account basis that was 80 percent lower than when it had only 1,000 accounts. This indicates savings particularly for the small and medium-sized institution, which can gain the benefits of participating in the larger-scale, less expensive operation.

2. The utilization of a central collection agency will place collections in the hands of experienced professional debt collectors and will eliminate the need for special training of personnel in each educational institution. This training is especially costly for institutions that have a small volume of loans.

3. A central agency should be staffed adequately to devote its time and attention to collection problems on a day-to-day basis.

4. The efforts of a central agency should be more successful than an institution's because of its more business-like approach and greater objectivity -- especially in the case of the more difficult collection problems.

5. If a central agency's efforts are more successful than an institution's would be, and if they extend over a shorter period of time than would an institution's, then the recovery of more loan principal and interest and the recovering of it more quickly may be considered as an offset to the collection costs.

6. The use of a central agency set up for the particular purpose of collecting loans should result in more reliable accounting and reporting.

2. Disadvantages of Central Collection of Loans

A number of educational institutions, particularly the larger ones, prefer to collect directly the loans they have made to students. They point out the following disadvantages to a central collection system.

1. The handling of loan collection by a central agency may alienate alumni of the educational institution. The loan was originally contracted, and a repayment schedule agreed upon, through a personal relationship between the student and the financial aid officer or business officer of the educational institution. To refer the collection of the loan to a "collection agency" removes the personal relationship.

   A partial answer to this problem lies in the exit interview, at which time the college can explain why it relies on a central agency for collection. Some college officers question whether loan collections should call for a personal rather than a business-like approach -- especially in the case of delinquent repayers. For those delinquent on NDSL repayments, 69 percent of the respondents to the Questionnaire to Institutions of Higher Education claimed that they prohibited the release of transcripts and 77 percent threatened legal action.

2. Some institutions may object to the cost of processing loans through a central collection agency, especially if they have already built up the necessary staff and have available the equipment required for the handling of a large volume of loan collections.

3. Some students have borrowed both National Defense Student Loans and institutional loans. It could cause some awkwardness to have a central agency collecting the former and the colleges the latter.

   One answer to this problem is to have the agency collect institutional loans as well as National Defense Student Loans. Or, at the time of the exit interview, the arrangements could be made for the order of repayments to the two loan funds. These arrangements have to be made in any case.

3. American Council on Education Roundtable

The participants in the 1965 American Council on Education Roundtable on the National Defense Student Loan Program considered the concept of central collection of loans and stated that "There is mounting evidence that both efficiency and economy can be effected if institutions pool their resources and establish centralized collection agencies. This is particularly true of small institutions which cannot afford to put their loan operations on data processing and computer machines. Early in the history of the loan program the Office of Education tended to discourage such pooled efforts, on the grounds that collection was the responsibility of the individual institutions. While it is true that no institution can shirk this responsibility, it is also true that it can perhaps better exercise it by delegating the operation to those skilled in collecting loans. The Office of Education should take positive steps to modify its previous position and possibly even to encourage cooperation."

The 1965 Roundtable participants also considered a proposal that the Federal Government establish a collection agency for all loans. Although the participants recognized the advantage of this system as far as the educational institutions are concerned, they pointed out that collection is a responsibility that the institutions cannot and should not avoid.

4. Present Use of Central Collection Systems

At the present time, relatively few educational institutions are using a collection service for all National Defense Student Loans. Responses to the Questionnaire to Institutions of Higher Education indicate that seven percent are using a central collection agency for all loans, and six percent are using a collection service only for delinquent accounts. An additional 22 percent are giving consideration to the use of a central collection agency. The balance of respondents (65 percent) are neither using, nor considering the use of, a central collection agency on a regular basis.

The present use of a central collection system varies from one geographical region to another. For example, as compared with the 35 percent noted above for the country as a whole, 58 percent of the respondents in the Office of Education Rocky Mountain region are either using or considering the use of a central collection agency. A total of 46 percent of the respondents in the Midwest are also in this category. The most limited use, or potential use, appears to occur in the Southeast and the Southwest regions.

Despite the relatively limited use of central collection agencies at the present time, only nine percent of the institutions responding to the questionnaire were opposed to centralized collection. A total of 52 percent favored a central collection service for all National Defense Student Loans, and 39 percent supported it for collection of delinquent loans.

On the basis of all factors studied, it is recommended that strong efforts be made to encourage the establishment of statewide or regional central collection agencies on a private basis, preferably non-profit, with which individual educational institutions may contract for the collection of National Defense Student Loans (and, of course, other loan funds if they so wish). It is further recommended that those institutions with continuous records of unsatisfactory collection should be advised to seek membership in a central collection agency.

Incentive Reimbursement Plan

Another possible way to improve loan collection effectively might be to institute an incentive reimbursement plan. Under present procedure, an institution now is reimbursed for administrative expenses at the rate of one-half of the total of such expenses or one percent of the aggregate of outstanding loans at the end of the fiscal year, whichever is the smaller amount. Approximately 1,300 institutions have been authorized to receive reimbursement for administrative expenses. Although respondents to the Questionnaire to Institutions of Higher Education indicated in only 14 percent of the cases that they found the new Office of Education reimbursement procedure for administrative costs less than satisfactory, the filing for reimbursement is somewhat time consuming and unwieldly and does require institutions to justify reimbursement yearly. Almost 400 institutions had not filed the necessary forms for reimbursement for 1965-6 -- the first year for which reimbursement is available -- according to information supplied in October 1967 by the Office of Education staff. This report also indicated that the actual reimbursement to institutions averaged 0.91 percent of the aggregate loan balance at the close of the 1966 fiscal year.

It is safe to say that the average reimbursement of 0.91 percent of aggregate loan balances did not represent one-half of the administrative expenses incurred by institutions, inasmuch as approximately 50 percent of the institutions received the one percent of their loan balances, signifying that their reimbursement was something less than one-half of their administrative expenses. Whatever the figure is, the incentive reimbursement plan proposed below is designed to reward institutions with good collection records and to penalize those with poor collection results.

1. As a first step, substitute for the present procedure a flat percentage on outstanding loans each year. The percentage should be set at a figure to compensate fully for administrative expenses -- say three percent (it is known that one percent for a large number of institutions is less than one-half of their expenses).

2. Set the percentage on a sliding scale of, say, three percent for the first $2 million of loans, 2.5 percent for the next $2 million, two percent for all balances above $4 million -- in order to give cognizance to the more economical operation of the larger volumes. However, in each case the percentage should represent full reimbursement for administrative expenses.

3. Establish a set of performance norms. Perhaps the loans that have been in the repayment stage for only six months or less should be left out of such norms because of the delays in arranging for deferments and cancellations. Perhaps an excellent collection record could be said to be, for example, two to three percent in arrears for more than six months, an average record six to seven percent, a very poor record 15 percent.

4. Set premiums and penalties by reducing the percentages of reimbursement set in item 2 above as the delinquency rate increases (item 3 above). For example, an institution with an excellent record could be reimbursed for the full three percent of the first $2 million of loans, 2.5 percent of the next $2 million and so forth. An institution with an average record could be reimbursed at, say, 1.5 percent of the first $2 million of loans, one percent of the next $2 million, and so on. An institution with a very poor record could receive little or no reimbursement for administrative expenses. Naturally, all kinds of combinations of reimbursement rates and performance records could be used.

An incentive procedure on the above basis would cost the Government more money. This would not have to be the case, of course, since a reimbursement scale could be set at, say, two percent for an excellent record. A larger cost would be justified, however, because of the possible incentives inherent in the proposal. The plan would encourage an institution not spending enough time and effort on collection to hire staff or to place its accounts in a central collection agency. An improved collection record might bring reimbursement enough or more than enough to cover additional expenses. The plan would encourage more vigorous efforts to collect from potential defaults; an effective write-off procedure would be reflected in the delinquency rate. It might encourage some institutions to absorb losses of principal under a write-off procedure that makes them reluctant to bring legal action.

Another advantage of such a plan is that it would be relatively simple to administer for both the Office of Education and the institutions and would replace the present more cumbersome reimbursement procedure. Further there is a provision at present calling for full reimbursement of litigation and other collection costs. The term "other collection costs" is so vague that this provision could be subject to abuse and difficult to administer. The proposed incentive plan might permit eliminating the provision for full reimbursement of "other collection costs."

It is recommended, therefore, that consideration be given to the adoption of an incentive reimbursement plan that would relate the reimbursement to institutions for their administrative expenses with their loan collection record.

Other Matters Affecting Loan Collections

In Chapter X of this report, there is discussion of the present nine-month grace period before repayment of National Defense Student Loans begins. Nine months is thought to be unnecessarily long. Its length affects the delinquency rate and adds to the difficulty of locating students. It further delays the turnover of loan funds. Recommendation is made there that the grace period for all federal loan funds be set at four months.

Ninety-one percent of the institutions responding to the Questionnaire to Institutions of Higher Education stated that they conduct exit interviews with "most" borrowers who are graduating, and 69 percent of these institutions conduct exit interviews and make repayment arrangements with "most" students who withdraw before receiving a degree or certificate. Unfortunately, it is the dropouts and withdrawals who are considered to contribute heavily to delinquency in collections, but they frequently are not available for exit interviews unless they intend to resume their studies at a later date in the same or another institution.

Information was also obtained in the questionnaire regarding the frequency of use of recent changes in procedure that were introduced in an attempt to improve collections. Only 44 percent of the institutions permitted borrowers to make repayments less than the amount due; and only 25 percent imposed penalty charges on delinquent borrowers. Although a significant majority of institutions (69 percent) claim to prohibit the release of transcripts to delinquent borrowers and 77 percent of the institutions inform these borrowers that legal action may be taken against them, only 26 percent have actually resorted to either legal action or to a private collection agency. Smaller institutions appear to be especially reluctant to resort to these stringent methods to collect loans from delinquent alumni.

In addition to continuing the annual training workshops for institutional personnel involved in the collection of loans, it is recommended that the Office of Education regional offices continue and expand the number of intensive training sessions and evaluations of the collection procedures at the individual institutions in need of such assistance.

E. CANCELLATION OF LOANS

The National Defense Student Loan Program provides for the cancellation of all, or part, of the loan balance in the event of death, permanent and total disability, bankruptcy, or teaching service on the part of the borrower.

To encourage students to enter the teaching profession, the original law provided that up to one-half of the loan could be cancelled at the rate of ten percent for each year of teaching service in public elementary and secondary schools in the United States. This feature was recently broadened to include teaching service in private non-profit elementary and secondary schools and in institutions of higher education, and to include teaching service in elementary or secondary schools overseas of the Armed Forces of the United States.

The Higher Education Act of 1965 provided that the entire loan could be cancelled at a rate of 15 percent for each year of teaching service in certain designated public or private non-profit elementary or secondary schools with a high concentration of students from low-income families. The amendments to the Act in 1966 extended the 15 percent cancellation feature to teachers of handicapped children.

Table 9 presents the number of student loan accounts and the amount of loan principal cancelled for each of the four allowable reasons from the inception of the program through the end of fiscal year 1966.

Table 9

National Defense Student Loan Program
Cancellations from Inception to June 30, 1966

	Cancellations	
Reason	Number of Accounts	Amount of Principal
Death	1,961	$ 1,329,777
Disability	30	13,877
Bankruptcy	203	149,170
Teaching service	142,895	24,704,828
TOTAL	145,089	$26,197,652

A total of 142,895 borrowers who were engaged in teaching have cancelled $24.7 million of their loan principal. The total average cancellation per teacher is only $172, but the figure is not meaningful since it combines teachers who have completed their cancellations with those who have just started. Table 10 shows the utilization of the teacher cancellation provision for each fiscal year since the inception of the program and reveals the rather startlingly low average cancellation of only $83 and $84 in fiscal years 1965 and 1966 respectively. At the allowable cancellation rates of ten percent and 15 percent, this would indicate rather low total NDSLP borrowings of $800 on the average for those using the cancellation provision.

Table 10

TEACHER CANCELLATIONS UNDER NATIONAL DEFENSE STUDENT LOAN PROGRAM - BY YEARS
1959 - 1967

Fiscal Year	Number of First-Time Cancellations (1)	Total Number of Cancellations (2)	Principal Cancelled (1)	Interest Cancelled (1)	Average Principal Cancelled
1959	-	-	-	-	-
1960	346	346	$ 12,732	$ 152	$ 37
1961	3,776	n/a	220,305	7,455	n/a
1962	12,703	n/a	1,072,007	105,348	n/a
1963	17,984	n/a	2,288,076	326,144	n/a
1964	27,998	n/a	4,462,549	680,677	n/a
1965	33,438	80,700	6,688,712	1,078,177	83
1966	46,650	118,397	9,960,447	1,673,060	84
TOTAL	142,895		$24,704,828	$3,871,013	

(1) Cumulative Report of National Defense Student Loan Accounts, Division of Student Financial Aid, U.S. Office of Education, December 1967.

(2) Annual Report of Repayments on National Defense Student Loans, Division of Student Financial Aid, U.S. Office of Education, December 1967.

During the course of this study, no objections were raised among those interviewed against the provisions for cancellation in the event of death, disability, or bankruptcy. No apparent problems exist in the administration of these provisions, since they are available to all borrowers and the procedures for their implementation are clearly defined. A number of serious objections and problems have been raised, however, with regard to the teacher cancellation provisions of the program.

The study staff has been unable to find any clear-cut evidence that the teacher cancellation provision has materially contributed to an increase in either the number or quality of teachers. During the nine years since the National Defense Student Loan Program was instituted, the rate of increase in the number of classroom teachers has closely paralleled the rate of increase in the number of high school graduates, the number of college graduates, and the number of college graduates with bachelor's degrees in education. Table 11 shows that this parallelism also existed during the four years before the NDSLP and teacher cancellation.

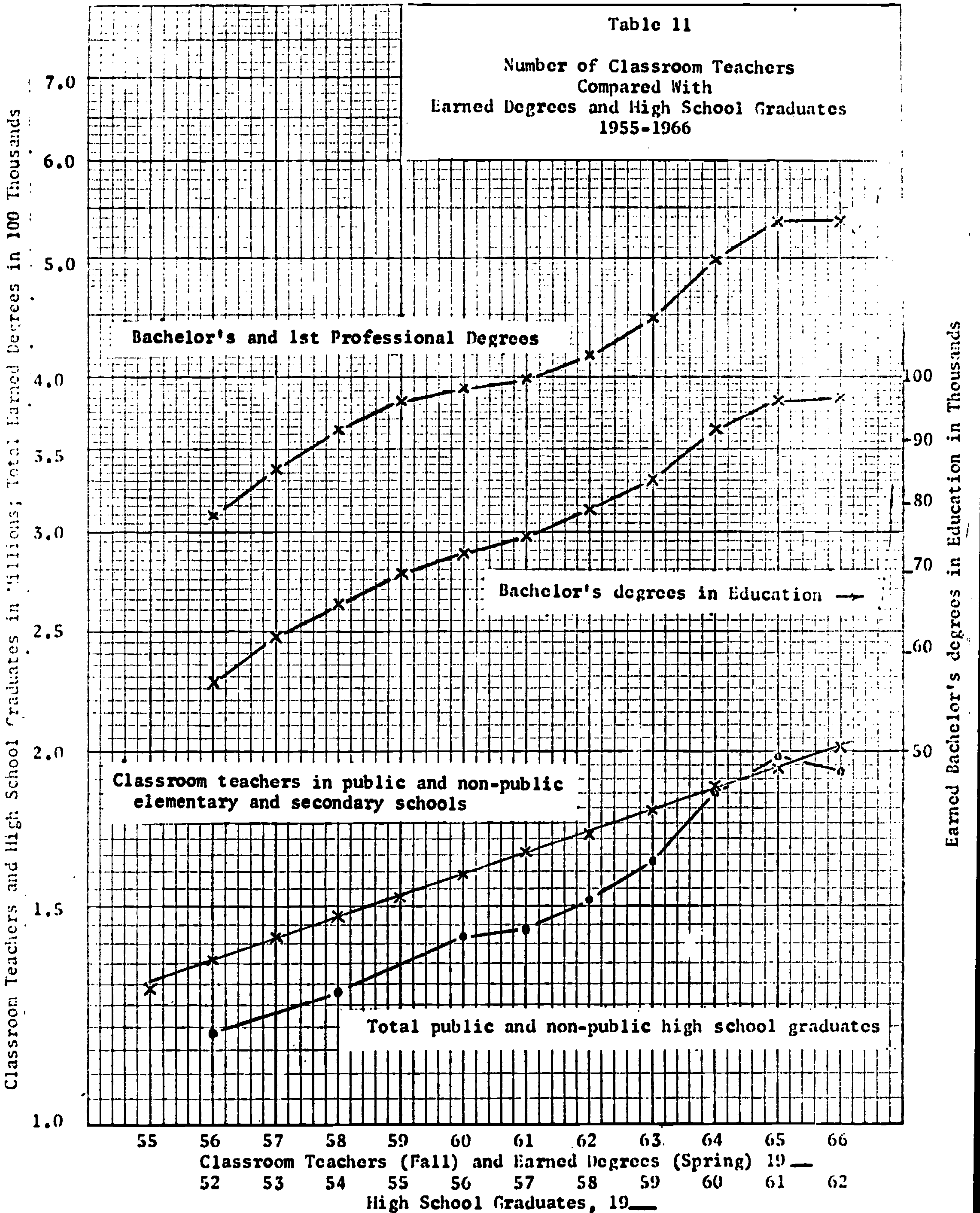
In testimony before the special Subcommittee on Education of the Committee on Education and Labor of the House of Representatives, Harold Howe II, U.S. Commissioner of Education, stated that there is no clear answer to the question of whether the forgiveness feature has encouraged more college students to enter the teaching profession. This statement of Mr. Howe's was corroborated by a similar statement made by Peter Muirhead, Associate Commissioner for Higher Education.

Only ten percent of the respondents to the Questionnaire to Institutions of Higher Education indicated that, in their opinion, the teacher cancellation provision definitely increased the number of students who entered the teaching profession. An additional 32 percent of the respondents stated that the provision "probably" contributed to an increase in the number of teachers. A separate analysis of the responses from 126 four-year accredited teacher's colleges revealed that they felt just about the same as the rest of the colleges.

There is some evidence to indicate that the teacher cancellation provision has not been effective in increasing the number of qualified teachers. A total of 34 percent of all respondents, including 58 percent of the public universities responding to the questionnaire, stated that in their opinion the teacher cancellation provision had not increased the number of students in their institution who have gone into teaching. Of the respondents from teacher's colleges, 38 percent concurred in this judgment.

It would be valuable to show the relative significance or insignificance of teacher borrowing, but some items of information are not available and other items are difficult to reconcile. During fiscal year 1966, there were 118,400 teacher cancellation certificates, all but 6,000 of which were from elementary and secondary school teachers. Of these 118,400, there were 46,650 first-year certificates; presumably the large percentage of them were newly graduated from college. Relating the 46,650 "new-teachers-in-1965-66" borrowers with the 72,500 "college-seniors-in-1964-65" borrowers, produces the rather startling statistic that 60 percent of the senior class borrowing under the NDSLP went into teaching (assuming, of course, that all "new teacher" borrowers had borrowed under the NDSLP in their senior year.)

In addition, relating the 46,650 "new-teachers-in-1965-66" borrowers with the 150,000 total new teachers in elementary and secondary schools, produces the information that 30 percent of all teachers borrowed under the NDSLP. As



Sources: "Projections of Educational Statistics to 1975-76," National Center for Educational Statistics, Office of Education, 1966, pgs. 25, 27, 40.
"Digest of Educational Statistics," U.S.O.E., 1966, p. 50.

mentioned earlier in this report, students borrowing under the NDSLP represented nine percent of all full-time students in higher education.

These very rough statistics might lead to a question as to whether an undue proportion of teachers are borrowing at least partly to receive a later cancellation -- so that, in other words, their loan has been transformed into a grant. This worry is on the minds of some people in the educational world. It is impossible, however, to believe that prospective teachers are borrowing who do not need to borrow, and it is equally impossible to believe that financial aid officers would award the loans to prospective teachers who are not in need. Hence, it would seem reasonable that many prospective teachers in need are borrowing, as they would have to under any circumstances, and simply taking advantage of a right of cancellation to which they are entitled. None of this reasoning, however, supports or fails to support any thesis that the cancellation provision has contributed to an increase in the number of teachers. It can probably be assumed though that many prospective teachers are availing themselves of a "grant" (that is, a cancellation of loan) who did not need the stimulus of this benefit in order to go into teaching.

The data contained in Table 10 reveal that the average amount of loan principal cancelled during fiscal years 1965 and 1966 was only $83 and $84, respectively. Since the large majority of teacher-borrowers are eligible for cancellation of 50 percent of indebtedness over five years, these averages would seem to indicate total NDSLP borrowing of $800 to $850 and, hence, cancellation of only $400 to $425 over a five-year period. The average annual "saving" seems insignificant in relation to the approximate average annual salary of classroom teachers in public elementary and secondary schools, which was $6,500 in fiscal year 1966.

As was stated previously, it is impossible validly to determine the effectiveness of the teacher cancellation provision in terms of meeting manpower needs in the teaching profession. However, if the teacher cancellation provision is effective in this regard, serious consideration would have to be given to an extension of the cancellation provision to borrowers who enter other "critical" professional fields. Among the professions that have already expressed a desire for a loan cancellation provision are those of law enforcement, social work, the military services, and the health professions.

Any cancellation provisions in the National Defense Student Loan Program should also be extended to students from similar income groups who borrow funds through the Guaranteed Loan Program. State loan agency personnel and individual bankers have stated categorically, however, that the introduction of cancellation provisions into the Guaranteed Loan Program could hurt the efforts of the past years to attract private credit sources for student loans.

Extension of cancellation provisions to other categories and to other professions might possibly have a detrimental effect upon collection of all loans in the National Defense Student Loan Program. In the Questionnaire to Institutions of Higher Education and in several meetings the study staff attempted to find out whether there was any depth to an alleged feeling on the part of students that "our loans will be forgiven if we wait long enough." In answer to the question about whether the teacher cancellation feature makes it more difficult for their institution to collect funds owed by borrowers who are not eligible for cancellation, 12 percent of the respondents said "yes" definitely or probably; 70 percent said "no"; and 18 percent said "hard to say." There is no widely held opinion, therefore, that cancellation is hurting collection, but it would seem fair to say that the situation would worsen if more and more cancellation provisions were created.

The teacher cancellation feature of the NDSLP has caused the expenditure of time and effort and controversy far beyond its significance. On the one hand, 67 percent of the respondents to the questionnaire requested no change in the cancellation provision, but this percentage ranged from 81 percent of the theological schools down to 44 percent of the public universities. The vote in favor of eliminating all cancellation came from 22 percent of all respondents, but this percentage again ranged from 49 percent of public universities to two percent of the theological schools.

On the other hand, the several meetings with university business officers clearly showed a very heavy preference for eliminating loan cancellations. This same feeling was voiced overwhelmingly in seven in-depth discussions that related mainly to the Guaranteed Loan Program. The Advisory Committee for this study showed a strong consensus in favor of eliminating all loan cancellation provisions. They added the opinion that efforts to relieve critical manpower needs should not be made in the form of cancelling loan principal, that it was fundamentally unsound to motivate a student to choose a career on the basis of loan forgiveness.

The administration of the teacher cancellation provision has caused an extravagant amount of time and effort on the part of Office of Education staff in Washington and in the regional offices as well as college staff. The definition of a "full-time teacher" was relatively simple at the outset, since it applied only to teachers in public elementary and secondary schools. Then as the "full-time teacher" spent part of his time on guidance and counseling; and as eligibility was extended to private schools and then to institutions of higher education; and as the "full-time teacher" took on some administrative duties and then more administrative duties while his cancellation period still lasted, confusion started to reign. It was up to college officers to define "full-time teacher," and three out of five disagreed with the other two. Regional offices differed in their interpretation of a "full-time teacher." During the period of this study, the Office of Education staff in the Loans section declared that 80 percent of their correspondence and inquiries dealt with the single subject of definition of eligibility under the teacher cancellation provision. This, of course, is an intolerable situation.

In each of 1964, 1965, and 1966 the teacher cancellation provisions were broadened. The very changes themselves show what happens when there is a "vulnerable" spot.

It should be pointed out that the teacher cancellation provision of the National Defense Student Loan Program discriminates against potential teachers who do not borrow funds for their education, and it discriminates against potential teachers who borrow from non-federal programs or from federal programs other than the National Defense Student Loan Program.

After evaluating all these factors, <u>the study staff recommends that the teacher cancellation provision of the National Defense Student Loan Program be phased out by eliminating the availability of this feature to new borrowers after fiscal year 1969.</u>

V. HEALTH PROFESSIONS STUDENT LOAN PROGRAM

A. BACKGROUND

The problem of financial aid for students in the health professions has long had a high priority in discussions among the various professional school groups. In the early 1960's, the Association of American Medical Colleges (AAMC) formed a Financial Aid Committee to grapple with the problem of the lack of federal financial aid for students in the health professions, more specifically the medical schools. Students in other graduate schools had been heavily supported by federal funds in the form of stipends and graduate assistantships.

The schools continued to move for action, and in 1963 the Health Professions Educational Assistance Act (PL 88-129) was signed into law. It authorized loan programs initially for students in medicine, osteopathy, and dentistry. Funds were authorized for fiscal year 1964, but no appropriations were made until fiscal year 1965.

The AAMC undertook a nationwide study in late 1963 to obtain information on how medical students were financing their education. The relevant information was to be obtained before funds were made available under the Health Professions Act. The study supported the recommendations of the AAMC and justified the funding of the new federal program.

The Department of Health, Education, and Welfare asked the Public Health Service through its Bureau of Health Manpower to administer the new program.

B. PROVISIONS OF THE PROGRAM

The school is required to provide $1 for every $9 of federal contribution to the loan fund. Previously, if the school was unable to provide this amount, institutional loans from federal funds were available. However, under the Allied Health Professions Personnel Training Act of 1966 (P.L. 89-751), loans to institutions for matching-fund purposes are no longer available under the Health Professions Student Loan Program after June 30, 1967. In fiscal year 1968 the school must either provide its own funds for matching or borrow the full amount of its loan funds from the Revolving Fund (see Chapter IX).

The purpose of the Health Professions Student Loan Program (HPSLP) was to increase the opportunities for the training of physicians, dentists, and others in the health professions by making available long-term loans with low interest rates for students who have demonstrated need. The maximum any student may borrow in a given academic year is $2,500; no total borrowing limit is set. The student pays no interest while in school, only after the expiration of the grace period and during the repayment stage. The interest rate is established for each fiscal year at the "going federal rate" by the Secretary of the Treasury. It was 4 1/4 percent in fiscal years 1965 and 1966 and 4 5/8 percent in fiscal year 1967. Loans are repayable to the school over a ten-year period, beginning three years after the student has completed his full-time course of study. Interest does not accrue nor is repayment required while a student is serving on active duty in a uniformed service or in the Peace Corps. Maximum deferment is for three years for each category of service.

Part of the loan (plus interest) may be cancelled for borrowers who practice medicine, dentistry, osteopathy, or optometry in an area identified by the state health authority as having a shortage of these professional services. A maximum of 50 percent of the amount of the loan (plus interest) that is unpaid on the first day the borrower is engaged in such practice, may be cancelled at the rate of ten percent for each complete year of practice. The entire loan (plus interest) may be cancelled for a borrower who practices medicine, dentistry, osteopathy, or optometry in a shortage area that the Secretary of HEW has identified as a rural area characterized by low family income. A maximum of 15 percent of the amount of the loan (plus interest) that is unpaid on the first day the borrower is engaged in such practice may be cancelled for each complete year he practices.

C. OPERATION OF THE PROGRAM

In the few years that the loan program has been under way, it has appeared to be very successful. Ninety five percent of the medical, dental, osteopathy, and podiatry schools participated in the program last year, and 63 percent of the pharmacy schools.

	Fiscal Year 1967	
	Number Participating	Number Not Participating
Medical schools	88	2
Dentistry schools	46	3
Osteopathy schools	5	-
Pharmacy schools	45	26
Podiatry schools	2	3
	186	34

Table 12 shows the progress of the program since its inception. Almost all the medical, dental, osteopathy, and optometry schools have participated since the beginning; hence, the growth of the number of institutions has been in pharmacy and podiatry, added in fiscal year 1967, and veterinary medicine, added in fiscal year year 1968.

The number of borrowers has increased dramatically from 11,554 in fiscal year 1965 to 20,168 in fiscal year 1967 and probably 25,000 in fiscal year 1968. It is noteworthy that the estimated number of borrowers under this program this year is expected to represent a very sizable 39 percent of the total enrollment of the 217 schools participating.

The average loan under the HPSLP is $1,000 to $1,100 per year.

The schools' requests have increased from $20 million in fiscal year 1965 to $33 million in fiscal year 1968. The amounts allocated have represented 50 percent of the requests in 1965, 75 percent in 1966, 93 percent in 1967, and 80 percent in 1968.

Table 12

HEALTH PROFESSIONS STUDENT LOAN PROGRAM

Type of School	1965 No. of Schools	1965 No. of Borrowers	1966 No. of Schools	1966 No. of Borrowers	1967 No. of Schools	1967 No. of Borrowers	1968[1] No. of Schools
Medical	87	7,186	87	9,475	88	11,303	93
Dental	46	3,367	46	4,472	46	5,530	47
Osteopathy	5	614	5	726	5	937	5
Optometry	9	387	9	564	10	656	10
Pharmacy					45	1,584	48
Podiatry					2	158	2
Vet. Medicine							12
	147	11,554	147	15,237	196	20,168	217
Amount Requested (in thousands)		$19,989		$20,849		$27,176	$33,004
Amount Allocated (in thousands)		10,200		15,599		25,326	26,659
Amount Borrowed (in thousands)		9,441		15,143		22,027	NA
Average Loan		817		993		1,092	1,050 est.
Borrowers as % of Total Enrollment		24%		31%		34%	39% est.

(1) Figures for fiscal year 1968 are as of October 6, 1967

Source: Student Loan and Scholarship Branch, Division of Health Manpower Educational Services, U.S. Public Health Service

D. AMERICAN MEDICAL ASSOCIATION EDUCATION AND RESEARCH FOUNDATION - GUARANTEED LOAN PROGRAM

In 1962 the American Medical Association Education and Research Foundation (AMA-ERF) established a fund to guarantee loans to medical students. Loans are made by several designated banks throughout the nation and are guaranteed by the AMA-ERF. The maximum loan of $1,500 per year was reduced in 1966 to $750 because of the tight money market. Interest is charged the borrower during the entire life of the loan at one percent above the prime commercial rate. Financial need is not a criterion; approval by the applicant's school is sufficient.

The number and amount of loans rose steadily from $6.1 million in fiscal year 1962 to $9.6 million in 1965. Then, in fiscal year 1966 the amount fell off by 20 percent to $7.6 million, and the estimated 1967 total was only $3.7 million. Compared with the amounts borrowed by medical students under the Health Professions Student Loan Program (HPSLP), the amounts are as follows:

	Amounts Borrowed by Medical Students (in thousands)		
Fiscal Year	AMA	HPSLP	Total
1965	$9,600	$ 6,029	$15,629
1966	7,600	9,576	17,176
1967	3,700 est.	12,371	16,071

At least part of the cause of the decrease beginning in 1966 is attributed by AMA to the necessity that year of reducing the maximum loan from $1,500 to $750 because of the tight money market. Naturally the introduction of the new federal HPSL program with no interest during the study period and the "going federal rate" during the repayment period, with generous deferments and a three-year grace period, would be bound to have a serious effect on the privately funded AMA program.

As of August 31, 1967, the AMA-ERF had some 28,700 loans totalling $36 million; of these, 3,700 notes for $8 million were in the repayment stage. The delinquency rate may be stated at 3.6 percent of the amount of the loans in the repayment stage.

In response to this study's Questionnaire to Health Professions Schools, 77 percent of aid administrators at medical schools said that some of their students received AMA-ERF loans in 1966-67. In answer to a question about how successful AMA loans were in providing for the needs of their medical students in 1966-67, seven percent of the respondents said "very successful," 44 percent "somewhat successful," and 49 percent "unsuccessful."

E. RESPONSES FROM SCHOOLS

This study's Questionnaire to Health Professions Schools[1] was sent to all schools participating in the Health Professions Student Loan Program: 162 or 84 percent responded.

(1) This questionnaire is reproduced as an Appendix to this report.

Opinion of Program

Sixty-five percent of the questionnaire respondents indicated that the HPSLP was very successful in providing for the needs of their health professions students. The balance of the respondents indicated that the program was "somewhat" successful and gave the lack of adequate funds as the main reason that a higher rating could not be given. In the area of pharmacy, two-thirds of the schools participate in the program, and 80 percent of the respondents rated it very successful; the balance rated it "somewhat" successful.

Inadequacy of Funds

The inadequacy of funds for the HPSLP is a function of both the total national appropriation and the basis for its allocation to the schools. The appropriation is distributed among participating institutions on the basis of institutional request or proportion of full-time students enrolled, whichever is less. It is deficient in that it does not effectively reflect student expense and financial aid differentials in the various programs. Thus 42 percent of the medical and dental institutional respondents felt that funds for the loan program were inadequate and inadequate by sizable amounts. On the other hand, only 17 percent of the pharmacy school respondents with much lower student expense budgets felt that funds were inadequate.

It is recommended that the institutional allocation procedure be revised to take into consideration not only the proportion of students involved, but the relative student expense budgets.

Lateness of Notification of Allocation

Only two items stood out as other important sources of dissatisfaction, and both of these related to the timing of notification to the institutions of their allocation. Sixty-four percent of the health professions schools indicated that the timing of notification of the availability of funds was a source of dissatisfaction. Thirty-one percent said that they were unsatisfied with their ability to make a firm commitment to a needy student. Undoubtedly the latter was a result of both lateness of notification of the fund award and a lack of sufficient funds.

The lateness of notification of institutional allocation is a critical problem, too often tying the hands of a school in making an important financial commitment. In 1966 it was Christmas before the schools were finally notified, three to four months after the academic year started. The questionnaire respondents were clear about their needs: 83 percent of the medical schools, 85 percent of the pharmacy schools, and 87 percent of the dental schools want to be notified before May 1.

The newly effective Revolving Fund (Federal National Mortgage Association [FNMA] participation certificates) can solve the timing-of-notification problem if the FNMA can schedule its bond sale effectively. It is recommended that the direct Congressional appropriations involved and the sale of FNMA participation certificates be timed so that institutions will know their allocations for the following year several months before July 1 of each year.

Other Responses

All the medical schools responding to the questionnaire felt that the instructions from the U.S. Public Health Service were either very clear or fairly clear. This was also the response of the other professions with the exception of the pharmacy schools, of which a small nine percent felt that the instructions were not clear.

The questionnaire respondents stated that in 91 percent of their institutions students made use of loans under the Guaranteed Loan Program. In answer to a question on how they would react to Guaranteed Loans if they were readily available to their students, 16 percent of the medical schools and dental schools said they would reduce or eliminate their request for Health Professions Student Loans.

F. COLLECTION OF LOANS

Section D of Chapter IV on the National Defense Student Loan Program is devoted to the collection of loans for that program. It is too early, of course, for the collection problem to loom large in the Health Professions Student Loan Program, but the thoughts and recommendations noted in Chapter IV for the NDSLP are applicable to the HPSLP also.

It is true that the nature of the credit risk is different from that of the other federal loan programs because the borrowers in the health professions schools are going into careers that have potentially medium-high and very high levels of compensation. Recommendations made in section D of Chapter IV that are more applicable to the HPSLP are the following.

1. The greater use of central collection agencies.

2. An effective write-off procedure.

3. Determination on a regular basis of the rate and amount of delinquency (and potential default).

4. An incentive plan for the reimbursement to schools of administrative expenses.

Thirty-one percent of the health professions school respondents to the questionnaire favor a centralized collection service for all HPSLP loans. Of the respondents to the Questionnaire to Institutions of Higher Education, 52 percent favored a centralized collection service for NDSLP loans, as noted in Chapter IV. Half of the health professions aid administrators favored centralized collection only for loans they designated. The remaining 21 percent were opposed to central collection altogether. Few health professions schools are using centralized collection at the present time, either for all their loans or for delinquent accounts. However, a large number (78 percent) of the medical schools are at present considering the use of this service for National Defense Student Loans.

G. OTHER RECOMMENDATIONS AFFECTING THE HPSLP

There are three other chapters in this report that contain recommendations affecting the Health Professions Student Loan Program.

In Chapter XI there is discussion of the advantages and disadvantages of incorporating the administration of this program and the Nursing Student Loan Program with that of the other four federal loan programs, which are now housed in the U.S. Office of Education. It is recommended that the operation of the six loan programs be brought into a single administrative agency. It is further recommended that appropriation requests for the HPSLP and the Nursing Student Loan Program continue to be submitted as separate budget items by the Public Health Service.

In Chapter IX it is recommended that steps be taken to determine what additional factors, if any, should be considered and developed to make the Revolving Fund a completely feasible and acceptable tool for the financing of loan funds.

Chapter X covers the subject of "Uniformity of Provisions in Federal Loan Programs." The nine recommendations made there that affect the Health Professions Student Loan Program are the following.

1. The total borrowing for all undergraduate, graduate, and professional study should be set at $10,000. This limit applies equally to the student borrowing under one or under more than one federal loan program.

   In answer to a question about the maximum amount a professional student should be allowed to borrow from all sources before he receives his M.D. or D.D.S. (including undergraduate loans), the schools responded as follows.

	Medical	Dental	Pharmacy	Total
$ 7,500 or less	23%	9%	39%	26%
10,000	56	50	49	51
12,000 or over	11	41	12	23

2. Bona fide half-time students should be made eligible for all federal loan programs.

3. The students' interest payment of the "going federal rate" during repayment stage should be revised to the three percent used by other federal loan programs.

4. Deferments of principal repayment and cancellation of interest should be extended to (a) VISTA service, (b) half-time study, and (c) internship and residency. This deferment should be accompanied by a reduction of the grace period from three years to four months.)

5. The grace period for all federal loan programs should be reduced to four months.

6. Provision should be made for reimbursement to institutions of expenses incurred in administering loan programs.

7. The provision for reimbursing the institutional share of cancellations due to death or disability should be eliminated.

8. Provision should be made to recognize bankruptcy as a reason for cancellation of loans.

9. Provision should be made for the optional assessing of late payment charges against student borrowers.

H. CANCELLATION OF LOAN FOR PRACTICE

Under the present Health Professions Educational Assistance Act a borrower practicing medicine, dentistry, osteopathy, or optometry in an area identified by his state health authority as having a shortage of and need for these professional services may have a maximum of 50 percent of the amount of the loan (plus interest) unpaid on the first day he is engaged in such practice cancelled at the rate of ten percent for each complete year of practice. The entire loan (plus interest) may be cancelled for practicing medicine, dentistry, osteopathy, or optometry in a shortage area that the Secretary of HEW has identified as a rural area characterized by low family income, at the rate of 15 percent of the amount of the loan for each complete year of such practice (plus interest).

In Chapters IV and VI of this study it is recommended that the cancellation provisions for teachers under the National Defense Student Loan Program and for nurses under the Nursing Student Loan Program be eliminated. The more important reasons for this recommendation are not applicable, at least as yet, to the Health Professions Student Loan Program. Some of the reasons, however, are as applicable to the HPSLP.

The Advisory Committee of this study expressed the opinion that it is fundamentally unsound to create a situation in which a student might choose a career on the basis of loan forgiveness. This opinion does not apply to the HPSLP, of course, because its two cancellation provisions apply only to location of practice.

Nor do the following factors, which entered into the recommendation affecting teacher cancellation, have relevance to the HPSLP cancellations.

1. The problem of defining eligibility and administering the provisions.

2. The relative insignificance of the amounts cancelled. (More health professions students borrow, and they borrow larger amounts.)

3. The possibility of hurting loan collections in areas not eligible for cancellation.

The following two factors do have relevance to the HPSLP cancellation provisions.

1. The cancellation provisions represent a discrimination against students who do not borrow or who borrow from other loan programs that do not permit the cancellation. To be fair and consistent, all federal loan programs should carry these cancellation provisions, if they are to be retained.

2. The short history of cancellation provisions proves that one cancellation begets another which begets still another.

It is too early to know whether the cancellation provisions of the HPSLP will be successful in attracting professional men to the desired areas. This is the most important factor of all. It has been argued that the relief of critical manpower (or area) needs should not be made in the form of cancelling loan principal. In the case of the HPSLP, if the cancellation provisions successfully attract manpower to areas in need of professional medical services they will have been worthwhile. If the provisions prove not to be successful in this respect they should be eliminated as promptly as possible.

VI. NURSING STUDENT LOAN PROGRAM

A. PROVISIONS OF THE PROGRAM

The loan program authorized by the Nurse Training Act of 1964 (P.L. 88-581) was designed to increase the number of nursing students by enabling needy students to finance their nursing education with a long-term, low-interest loan. Approved diploma, associate degree, baccalaureate, and graduate schools of nursing are eligible to participate in the loan program.

Nursing schools which establish loan funds request funds and receive allocations from the U.S. Public Health Service, determine the eligibility of student applicants for loans, decide the amount of the loans, administer the funds, and collect the repayments.

The school is required to provide $1 for every $9 of federal contribution to the loan fund. Previously, if the school was unable to provide this amount, institutional loans from federal funds were available. However, under the Allied Health Professions Personnel Training Act of 1966 (P.L. 89-751), loans to institutions for matching-fund purposes are no longer available under the Nurse Training Act of 1964 after June 30, 1967. In fiscal year 1968 the school must either provide its own funds for matching or borrow the full amount of its loan funds from the Revolving Fund (see Chapter IX).

The maximun amount a nursing student may borrow is $1,000 per academic year. If required to attend school more than nine consecutive months, however, the student may borrow up to $1,333 for the calendar year. Aside from the annual amount, no maximum is set on total borrowing under this program. Students eligible for a Nursing Student Loan may not be awarded a National Defense Student Loan.

Loans are repayable over a ten-year period, beginning one year after graduation. No interest accrues during the period of study. Loans bear interest, starting with the repayment period, at the rate of three percent annually or the "going federal rate" at the time the initial loan was made, whichever is higher. The "going federal rate," established annually by the United States Treasurer at the beginning of each new fiscal year, was 4 1/4 percent in fiscal years 1965 and 1966, and 4 5/8 percent in fiscal year 1967.

If, after graduation, the borrower works full-time as a professional nurse in a public or non-profit private institution or agency, up to 50 percent of the amount of the loan that is unpaid on the first day of employment, may be cancelled at the rate of ten percent each year.

The Nursing Student Loan Fund began operation in fiscal year 1965. Along with the Health Professions Student Loan Program, it is administered by the Division of Health Manpower Educational Services of the U.S. Public Health Service.

B. OPERATION OF THE PROGRAM

The Nurse Training Act of 1964 authorized $85 million for the Nursing Student Loan Program over a five-year period, as follows.

Fiscal year 1965	$ 3,100,000
Fiscal year 1966	8,900,000
Fiscal year 1967	16,800,000
Fiscal year 1968	25,300,000
Fiscal year 1969	30,900,000

Only those schools accredited by the National League for Nursing or reasonably assured of receiving accreditation are eligible to participate in the program. This has ruled out a number of junior colleges whose programs are relatively new and not ready for accreditation. Some junior colleges with regional accreditation for their entire program have been unwilling to submit their nursing program for separate evaluation by the National League for Nursing.

Participation by Schools

The National League for Nursing lists 1,225 nursing programs in 1,219 schools in its 1967 listing of "State-Approved Schools of Nursing - R.N." Of these, 743 were accredited and, as of June 1967, 159 had reasonable assurance of accreditation -- making a total of 902 programs eligible for the Nursing Student Loan Program. As of October 6, 1967, 646 of these programs were participating in the NSLP, leaving 256 eligible programs not participating. Below is a breakdown of these figures by type of nursing program.

		Accredited		
	Total	Fully	Reasonable Assurance	Participating in NSLP
Baccalaureate	210	147	NA	164
Associate Degree	218	19	NA	71
Diploma	797	577	NA	411
	1,225	743	159	646
Graduate				41
				687

It would appear that the large majority of the eligible programs not participating in the NSLP are hospital diploma schools. The American Hospital Association conducted a survey of the hospital schools of nursing in February 1967. Of 625 respondents, 419 schools were participating or were planning to participate in the NSLP. Schools participating in other programs under the Nurse Training Act of 1964 were asked to state their reasons for not participating in the loan program. Aside from those who had no evidence of student demand or were able to handle such demands otherwise, the reasons consistently related to administrative costs: "Collection problems," "more bookkeeping," "complicated procedures," and "additional clerical help required." The staff of this study recommends later that nursing schools be given some reimbursement of expenses incurred in administration of loan funds.

Growth of the Program

Table 13 shows the progress of the program since its inception. The number of schools participating has increased from 426 in 1965 to 687 in 1967. Practically all of the eligible graduate, baccalaureate, and associate degree schools are participating. As noted earlier, the large number of eligible schools that are not participants are hospital diploma schools.

The number of borrowers has increased from 3,645 in 1965 to 17,218 in 1967. These figures represented five percent of the total enrollment of the participating schools in 1965 and 18 percent in 1967.

The average loan was $567 in 1967 and $534 the previous year, approximately the same as the average borrowing under the National Defense Student Loan Program. The schools' requests for the first three years have approximated the original expectations of $28.8 million. The borrowings, however, have only totalled $17.5 million. In response to this study's questionnaire as to why their allocation was more than they needed in 1966-67 (if such was the case), 33 percent stated there was less need than they had imagined, 25 percent stated that nursing students are reluctant to borrow, 19 percent explained that they were notified about the amount of their allocation too late.

The schools' requests for fiscal year 1968 totalled $16.3 million, as opposed to the original expectation of growth to $25.3 million.

C. RESPONSES FROM SCHOOLS

A questionnaire (see Appendix) was sent to a large sample of nursing schools, including some who are not participating in the NSLP.

Opinion of Program and Administration

The overwhelming majority (73 percent) of all types of nursing schools said that the NSLP is very successful in meeting the needs of their students, and 82 percent of them expected that it would be very successful in fiscal year 1968.

Fifty-two percent were very satisfied with the assistance from the Public Health Service.

Only six percent of the respondents said that the reporting procedures required by the Public Health Service were unreasonable.

Institutional Allocation

In spite of the fact that allocations for fiscal year 1967 were almost the same total as the institutional requests, 15 percent of the respondents said that their 1967 allocation was inadequate. These included 30 percent of associate degree respondents and 15 percent of diploma respondents.

These schools were asked if they were limited by the difficulty in raising the institutional share of the funds. Of those involved and responding, ten percent answered "yes" (including 19 percent of the associate degree and eight percent of the diploma schools).

Table 13

NURSING STUDENT LOAN PROGRAM

Type of Program	1965 Number of Schools	1965 Number of Borrowers	1966 Number of Schools	1966 Number of Borrowers	1967 Number of Schools	1967 Number of Borrowers	1968 (1) Number of Schools
Graduate	23	32	31	28	37	65	41
Bachelors	106	1,707	141	4,930	149	6,426	164
Associate	8	38	29	375	56	1,060	71
Diploma	289	1,868	391	6,407	414	9,667	411
	426	3,645	592	11,470	656	17,218	687
Amount Requested, in thousands		$5,749		$9,662		$12,677	$16,286
Amount Allocated, in thousands		3,100		8,900		12,724	16,286
Amount Borrowed, in thousands		1,443		6,275		9,750	NA (2)
Average Loan		395		534		567	664 est.
Borrowers as % of Total Enrollment		5%		13%		18%	NA (2)

(1) Figures for fiscal year 1968 are as of October 6, 1967.

(2) Figures not available.

Source: Student Loan and Scholarship Branch, Division of Health Manpower Educational Sources, U.S. Public Health Service

Lateness of Notification of Allocation

Only two items stood out as important sources of dissatisfaction, and both of these related to timing of notification of the institutional allocation. Seventy-five percent of the nursing schools indicated that timing of notification of the availability of funds was a source of dissatisfaction. Sixty-two percent said that they were not completely satisfied with their ability to make a firm commitment to a needy student.

The lateness of notification of institutional allocation is a critical problem, too often tying the hands of a school in making an important financial commitment. In 1966-67, it was Christmas time before the schools were finally notified, three to four months after the academic year had started. The questionnaire respondents were clear about their needs: 83 percent of the graduate schools, 82 percent of the baccalaureate programs, 65 percent of the associate degree programs want to be notified before May 1.

The newly effective Revolving Fund (Federal National Mortgage Association participation certificates) can solve the problem if the FNMA can schedule the bond sale at a reasonable time. At any rate, it is urged that the direct Congressional appropriations involved and the sale of FNMA participation certificates be timed so that institutions will know their allocations for the following year several months before July 1 of each year.

Other Responses

The questionnaire respondents stated that in 54 percent of their institutions students made use of Guaranteed Loans. In answer to the question on how they would react to Guaranteed Loans if they were readily available to their students, only five percent of the nursing schools said they would reduce or eliminate their request for Nursing Student Loans.

D. COLLECTION OF LOANS

Section D of Chapter IV on National Defense Student Loans is devoted to the collection of loans. It is too early, of course, for the collection problem to loom large in the Nursing Student Loan Program, but the thoughts and recommendations are applicable to this program and are made part of this chapter on the NSLP.

The more important recommendations made in section D of Chapter IV are the following.

1. Greater use of central collection agencies.

2. Establishment of a realistic, workable write-off procedure.

3. Determination on a regular basis of the rate and amount of delinquency (and potential default).

4. Adoption of an incentive plan for the reimbursement to schools of administrative expenses.

It would seem especially appropriate for the smaller schools of nursing, the diploma and associate degree schools, to make use of central collection agencies. This, along with an effective plan for reimbursement for administrative expenses, should make them much more willing to participate in the program. On the matter of centralized collection, 52 percent of the nursing school respondents favor a centralized collection service for all Nursing Student Loans. Thirty-five percent of the nursing aid administrators favored it only for loans they designated. The remaining 13 percent were opposed to central collection altogether. Few nursing schools are using centralized collection at the present time, either for all of their loans or for delinquent accounts. A large number (70 percent) of the nursing schools are not considering the use of this service for National Defense Student Loans.

E. OTHER RECOMMENDATIONS AFFECTING THE NSLP

There are three other chapters in this report that contain recommendations affecting the Nursing Student Loan Program, and the relevant parts of these should be considered as part of this chapter.

Chapter XI discusses the advantages and disadvantages of incorporating the administration of this program and the Health Professions Student Loan Program with that of the other four federal loan programs, which are at present housed in the U.S. Office of Education. It recommends that the operation of the six loan programs be brought into a single administrative agency. It further recommends that appropriation requests for Health Professions and Nursing Student Loan Programs continue to be submitted as separate budget items by the Public Health Service.

Chapter IX recommends that steps be taken to determine what additional factors, if any, should be considered and developed to make the Revolving Fund a completely feasible and acceptable tool for the financing of loan funds.

Chapter X covers the subject of "Uniformity of Provisions in Federal Loan Programs." The recommendations which affect the Nursing Student Loan Program follow.

1a. The undergraduate borrowing limit should be set at $1,500 per year and at $5,000 for all undergraduate study. These limits should also apply to an undergraduate who borrows from more than one federal loan program.

1b. The borrowing limit for the graduate student should be set at $2,500 per year.

1c. The limit for total borrowing for all undergraduate, graduate, and professional study should be set at $10,000. This limit also applies to a student who borrows under more than one federal loan program.

2. Bona fide half-time students should be made eligible for all federal loan programs.

3. The rate of interest charged as a student repays his loan -- the "going federal rate" -- for nursing students should be revised to the three percent used by other federal loan programs.

4. Deferments of principal repayment and cancellation of interest should be extended to (a) military service, (b) Peace Corps, (c) VISTA service, (d) half-time study, (e) uniformed service in the Public Health Service or Coast or Geodetic Survey.

5. The grace period for all federal loan programs should be reduced to four months.

6. Provision should be made for reimbursement to institutions of expenses incurred in administering the loan program.

7. The provision for reimbursing the institutional share of cancellations due to death or disability should be eliminated.

8. Provision should be made to recognize bankruptcy as a reason for cancellation of loans.

9. Provision should be made for the optional assessing of late payment charges against student borrowers.

F. CANCELLATION PROVISIONS

The present Act provides for cancellation of ten percent of the loan, plus interest, for each complete year of full-time employment as a professional nurse, not to exceed 50 percent of the loan amount.

The following responses (shown in percentages) were received in answer to the question on whether the cancellation feature of the NSLP has increased the number of students who have completed the course in nursing and who have gone into nursing practice.

	Baccalaureate Degree	Associate Degree	Hospital Diploma	Graduate	All Schools
Yes definitely	24%	24%	16%	6%	19%
Yes probably	43	33	17	39	29
No	9	7	21	22	15
Hard to say	24	36	46	33	37

Only 19 percent said "yes definitely," and 52 percent answered "no" or "hard to say."

In reply to a general question on cancellation, 67 percent indicated there should be no change, and only nine percent spoke for elimination.

The staff of the study is recommending the elimination of the cancellation provisions for teachers under the National Defense Student Loan Program in section E of Chapter IV of this report. As it is also recommended that the cancellation provision for nurses under the Nursing Student Loan Program be eliminated, for some of the same reasons. a summary of the discussion in section E of Chapter IV is included in this chapter.

The Advisory Committee of this study expressed the opinion that it is fundamentally unsound to create a situation in which a student might choose a career on the basis of loan forgiveness. Second, the cancellation provisions represent a discrimination against those who do not borrow or who borrow from other loan programs not permitting the cancellation. To be fair and consistent, all federal loan programs should carry similar cancellation provisions for nurses. Third, if cancellation provisions were extended in this manner, it would mean still greater pressures to extend cancellation to other occupations, and collections of loans that are not eligible for cancellation might be more difficult. Fourth, since one cancellation begets another, additional features for cancellation may continually be expected. Fifth, it is felt that, as in the case of teachers, the amount of individual loan cancellation will probably be relatively insignificant as an incentive to the choice of career.

It may be said that it is too early to know whether the cancellation feature will be successful in attracting individuals into nursing, but it may also be said that it is practically impossible to determine how much influence loan forgiveness bears in a person's selecting of a career. On balance, the disadvantages of the cancellation provision are considered to outweigh the single possible advantage. For these reasons, it is recommended that the cancellation provision of the Nursing Student Loan Program be eliminated.

G. ENCOURAGEMENT OF GROWTH

While this program has shown growth since its inception, it has not lived up to expectations. Gaining eligibility through the accreditation of the nursing school has been a slow procedure. Effective in October 1967, the previous requirement of actual accreditation or "reasonable assurance" of accreditation has been amended to extend eligibility to an institution that has taken steps to attain accreditation for its nursing program -- until such time as accreditation is denied. This provides easier access to the loan program for the approximately 300 nursing programs previously ineligible.

In addition to expanded eligibility, several other ways to stimulate growth are suggested. Extending the availability of the loan program for half-time study, as recommended earlier, might attract married nurses to take on advanced study. It would also be helpful to ease the load of the nursing school by following two other recommendations in this study: reimburse the institution for administrative expenses and encourage the use of central collection services.

It is recommended that additional efforts be made to disseminate information about the loan program: (a) among the high school guidance counselors, (b) among the currently enrolled students in nursing programs to encourage them to continue into advanced studies, and (c) among the married nurses to encourage them to take on advanced studies.

VII. CUBAN REFUGEE LOAN PROGRAM

A. THE CUBAN REFUGEE PROBLEM

From January 3, 1961, when the United States severed diplomatic and consular relations with Cuba, until November 3, 1967, it was impossible for a Cuban proceeding directly from that country to the United States to apply for an immigrant visa for the purpose of acquiring permanent residence in the United States. These refugees were admitted as parolees, but unlike the Hungarian refugees of 1957, there was no legislation which would allow adjustment of their status to permanent residents of the United States. About 75,000 Cubans have been able to obtain permanent visas by the costly and difficult process of leaving the United States, applying at a U.S. Consular Office in another country, and then re-entering the United States.

There were various bills introduced in the 89th Congress to adjust the status of Cuban refugees to that of lawful permanent residents of the United States, and the objectives of these bills were strongly supported by all concerned (for example, Department of State, Office of the Attorney General, and others). With the signing on November 3, 1967, of Public Law 89-732, the possibility of adjustment of status from parolee to legal permanent resident became a reality. By application to the Attorney General a Cuban refugee may now be awarded the status of permanent resident after 2 1/2 years of residence in the United States. Cuban refugees already residing in the United States can have a maximum of 2 1/2 years of their residency as parolees credited toward this adjustment.

In December of 1965, the United States and the Castro regime signed a Memorandum of Understanding which resulted in an airlift providing asylum to Cuban refugees at the rate of 4,000 per month. Premier Castro estimated, at the time of the signing, that there were over 250,000 Cubans who wanted to enter the United States and had close family ties with Cuban refugees in the United States. The State Department had on file in April of 1966 applications covering more than 750,000 persons in Cuba who had been listed by relatives and friends already in this country as wanting to enter.

A Select Commission on Western Hemisphere Immigration was established by the 89th Congress to study all aspects of this problem and to establish the basis for any numerical limitation that should be considered. The Commission's final report is scheduled for January 15, 1968, and, pending receipt of that report, a numerical limitation on western hemisphere immigration has been deferred until at least July 1, 1968.

Approximately 350,000 Cubans have found refuge in the United States since the Castro revolution of 1959. Despite the fact that accurate predictions of the scope of the Cuban refugee problem cannot be validly made until the number of future immigrants to be allowed entry has been established, some indication of its impact on higher education can be gauged from the estimate that 25 percent of the present immigrants are school-age children between the ages of five and 17 years.

B. DEVELOPMENT OF THE LOAN PROGRAM FOR CUBAN STUDENTS

Instituted in February 1961 as part of the Emergency Cuban Refugee Program, the Cuban Refugee Loan Program initially served to assist students already in the United States to complete their education. It originally drew its funds from Mutual Security Funds, by presidential allocation, and from appropriations approved in the Foreign Assistance Act of 1961. Then, with the enactment of the Migration and Refugee Assistance Act of 1962 (P.L. 87-510), funds were made available for the relocation, training, and retraining of Cuban refugees in the United States.

In keeping with the intent of this act, the purpose of the loan program was broadened from the emergency support of Cuban students already enrolled in college to the support of newly arriving refugees. This was accomplished by making available long-term, low-interest-bearing loans to Cuban nationals who were unable to receive support from sources within Cuba as a result of actions by the Cuban government, and who were without sufficient resources in the United States to finance their attendance at institutions of higher education.

When first established, the Cuban loans were interest free and had a five-year repayment provision. In September of 1963 the terms of the loans were changed to correspond generally with those of the National Defense Student Loan Program, including a teacher cancellation provision and standard deferments for full-time study, membership in the Armed Forces of the United States, or volunteer service in the Peace Corps or VISTA. An option for conversion of interest-free to interest-bearing notes is available to those who want to receive the benefits of teacher cancellations or deferment or both.

The administration of the loan program has been the responsibility of the Division of Student Financial Aid, U.S. Office of Education, but a later segment of it has been operated by the Division of Health Manpower Educational Services, Public Health Service.

C. THE CUBAN REFUGEE LOAN PROGRAM UNDER THE U.S. OFFICE OF EDUCATION

From 1961 to 1967, 511 institutions of higher education have applied for and received funds for loans to Cuban nationals attending their institutions (Table 14). In the fiscal year 1967, 347 or approximately 16 percent of all institutions of higher education participated in this program. The institutional allocations ranged from $95 to $612,472 that year. The medium allocation was slightly above $2,000 and 45 percent of the participating institutions received less than $2,000. Eight institutions accounted for approximately 54 percent of the funds loaned to Cuban nationals in 1967 (Table 15). It is noteworthy that four of the eight institutions are located in Florida.

In the six years from the first full year of operation in fiscal 1962 through fiscal 1967:

1. The number of participating institutions more than doubled, from 153 to 347.

2. The number of borrowers almost trebled, from 1,337 to 3,732.

Table 14

DATA ON THE CUBAN LOAN PROGRAM
1961-1967

Fiscal Year	Number of Institutions Participating	Number of Borrowers	Total Amount Borrowed	Average Loan For Borrower
1961	80	513	$ 185,975	$363
1962	153	1,337	857,421	641
1963	208	1,559	1,333,698	855
1964	265	2,432	1,752,534	720
1965	314	2,538	2,449,448	965
1966	338	3,500	2,765,561	790
1967	347	3,732	3,260,961 (2)	874
TOTALS	511 (1)		$12,605,598	

Table 15

CUBAN LOAN PROGRAM
INSTITUTIONS RECEIVING ALLOCATIONS OVER $50,000
FOR FISCAL YEAR 1967

Institutions	Allocations
University of Miami (Florida)	$ 612,472
Mount Saint Mary's College (California)	238,552
University of Florida (Florida)	238,478
Miami-Dade Junior College (Florida)	224,478
Louisiana State University (Louisiana)	150,195
University of Puerto Rico (Puerto Rico)	133,675
Columbia University Teachers College (New York)	57,630
Barry College (Florida)	52,500
TOTAL	$1,708,487

(1)Total number of different participating institutions 1961-67.
(2)Estimated

Note: The above figures exclude the small segment of the program administered by Public Health Service.

Source: The Cuban Loan Section, Division of Student Financial Aid, U.S. Office of Education.

3. The amount borrowed almost quadrupled, from $857,000 to $3,261,000.

4. The average loan per borrower per year was larger by about 40 percent: $641 compared with $874.

The number of first-time borrowers in 1967 was 1,424 as against 1,317 in 1966, 1,011 in 1964, and 824 in 1962. Some stabilization may possibly be seen in the relatively small increase in total number of borrowers (seven percent), but this cannot be said without knowing the age groups and numbers of the Cuban refugees.

D. THE CUBAN REFUGEE LOAN PROGRAM UNDER THE PUBLIC HEALTH SERVICE

Cuban refugees were made eligible for a special loan program financed through Welfare Administration appropriations and administered by the Division of Health Manpower Educational Services, Public Health Service, starting in fiscal year 1965. The terms and conditions of this program are identical with the Health Professions Student Loan Program. The volume of loans has not exceeded $50,000 per year during the first three years of operations. It is projected at about $40,000 for fiscal year 1968. About 60 to 70 borrowers from 22 schools are expected to participate.

Upon receipt of a certified application from the student, the Public Health Service issues a check payable to the student and forwards it to the school. The school has the student complete the necessary promissory note and forwards it to the PHS before turning over the check to the student. Under this procedure, the institution does not have to set up a Health Professions Cuban Loan account and is relieved of the responsibility of keeping records and submitting reports. As is the case also under the Cuban Loan Program administered by the Office of Education, the institution is not responsible for collecting the loans.

The institutions are required to complete a letter of agreement with the Surgeon General annually in order to participate in this program. It is the intent of the Public Health Service to Incorporate this Cuban Loan Program into its regular procedures and require the institutions to administer the funds in the same way as they do the Health Professions Student Loan funds.

The Public Health Service also has a contract with the American Dental Association to prepare Cuban refugee dentists for the board examinations which would allow them to practice their profession in the United States. While restricted to Cuban refugees who are residents of the Miami area, this program places participants in approximately 12 dental schools across the United States. Under the program, students receive both a Cuban Loan and a subsistence grant. The ADA contract is currently for about $200,000 annually.

E. INSTITUTIONAL OPINION OF THE PROGRAM AND ITS ADMINISTRATION

Several questions seeking institutional opinion of this program were included in the study Questionnaire to Institutions of Higher Education. A very large, 97 percent reported their allocations adequate or more than adequate, and 100 percent considered the program very (87 percent) or somewhat (13 percent) successful in providing for the needs of their students. In the operating area, only three percent of the respondents found program instructions unclear, and only two percent said reporting procedures were unreasonable.

The respondents from the health professions schools stated that the Cuban Loan Program was very successful (63 percent) or somewhat successful (37 percent) in providing for the needs of their students. Only five percent of them found the instructions unclear.

From the Questionnaire to Nursing Schools, the replies (excluding those from diploma schools) showed that 47 percent considered the Cuban Loan Program very successful in providing for their students and 48 percent somewhat successful. Only four percent thought the reporting procedure unreasonable. As to clarity of instructions, 38 percent considered them very clear, 54 percent fairly clear, and eight percent unclear.

F. LOAN COLLECTIONS

A unique feature of the Cuban Refugee Loan Program is that collections of the loans are the responsibility of the Office of Education and the Public Health Service, each for their respective loans. The PHS portion of the program has not been in effect long enough to provide any collection experience. From initiation of the program in fiscal year 1961 through fiscal year 1967 the USOE Cuban Loan Section reports principal collections of $499,000 out of the total of $12.6 million borrowed. Cancellations for the same period totalled $15,725 for death (ten students) and $33,187 for teaching (172 students).

Of the 1,314 accounts in payment status as of June 30, 1967, 111 or 8.5 percent were delinquent. Despite the fact that all aliens are required to register annually with the immigration authorities and the USOE has access to this information for skip-trace purposes, 70 of the 111 delinquents cannot be located. All means of contacting 28 of the delinquents have been exhausted; no further action is contemplated on these accounts.

G. SUMMARY AND RECOMMENDATIONS

The implementation of the Cuban Loan Program to meet the emergency situation created by the Castro Revolution was a workable means of meeting the needs of Cuban students who were enrolled or desired to enroll in institutions of higher education in the United States. It made it possible to put these students on a kind of parity with American students, insofar as student financial aid is concerned, and facilitated the assimilation of many of these students.

It is understandable that the situation is far from clear. The report of the Select Commission on Western Hemisphere Immigration on the manner of numerical limitation is expected to clarify the problem of how many potential Cuban refugees there are.

It is understandable also that special consideration will continue to be given Cuban nationals -- presently defined as all Cuban refugees, and persons of any other nationality (excluding United States citizens) who resided in Cuba for five consecutive years before their departure on or after January 1, 1959.

The first question, obviously, is how long the special consideration should be continued. The present definition of "Cuban national" is very broad: it applies to people of all ages and has no time limit -- the loan period can extend for 25 to 30 years in the case of the new-born child. In addition to the native-born Cuban, it can cover a person of any other nationality who has lived five years in Cuba.

Should the special Cuban Loan Program be expected to reach to the children of those it has helped to educate? Should the program help the children of those who have resided in this country for "x" number of years and who, therefore, are in a position similar to most other immigrants or new residents, such as Puerto Ricans?

It should be determined for how long special consideration is needed and wanted. Depending on the length of time benefits continue to be given to Cuban nationals, the staff of this study has made recommendations on how the program may be administered.

If it is to be continued for just two or three more years, then no great benefit will be derived from changing its present course. If, however, it is planned that benefits are to continue for from eight to ten years or more, then it would seem desirable to suggest changes of a very basic nature.

If it is planned that benefits to Cuban nationals must be continued for from eight to ten years or more, the following factors must be taken into consideration.

1. The program as it exists at present is very small in size. In comparison to all federal loan programs, the Cuban Loan Program makes up only a tiny one-half of one percent of the total number of borrowers and only a slightly higher percentage of the total amount borrowed last year under the six federal loan programs.

2. The continuing need for Cuban nationals should not be much different from the continuing need for other American citizens, residents, or immigrants.

3. For a program so relatively small, it seems somewhat distressing that two agencies are already involved, that is, the USOE and the PHS. (Why not also the Nursing Student Loan Program for Cuban refugee nurses?) And it is more distressing that both of these are collecting the loans.

4. Does the program provide preferential treatment? The answer is yes, to the extent that financial need criteria are more liberal than for the great majority of other students receiving financial aid in the United States. And it is yes, to the extent that loans are granted to meet a student's entire need.

5. How preferential is the treatment? The entire program is relatively insignificant in proportion to the other loan programs. The main concern is whether the program may grow out of proportion to its worth. Hence, there is a need for better definition of who should benefit and for how long.

If the benefits to Cuban nationals are to be continued for from eight to ten years or more, and the above factors have been taken into consideration, it is recommended that the plan of administration be:

1. Phase out the separate Cuban Loan Program as it exists at present.

2. Have the present federal loan programs of National Defense, Health Professions, and Nursing subsume the Cuban Loan Program. This would mean that the institutions would be entirely responsible for the administration and collection of the loans.

3. Disregard those institutions with less than $10,000 of Cuban Refugee Loans per year. (This would have eliminated 295 or 85 percent of the institutions which participated in 1966-67.) Let them proceed with the handling of individual Cuban refugees as they would for non-Cubans. We saw previously that 45 percent of the institutions borrowed less than $2,000 in 1967 for Cubans under the U.S. Office of Education program, and less than $50,000 was involved per year in the entire PHS program.

4. Permit those institutions with $10,000 or more of Cuban Refugee Loans per year (there were 52 in 1966-67) to request a special allocation under National Defense, Health Professions, and Nursing loan programs, without having to put up the ten percent matching contribution.

5. Declare the Cuban parolees eligible for all federal loan programs (including the Guaranteed Loan Program).

VIII. GUARANTEED LOAN PROGRAM FOR HIGHER EDUCATION

A. INTRODUCTION

Foreword

The relative newness of the Guaranteed Loan Program (GLP) was a serious handicap to this study. Experience and sufficient data from which to draw conclusions were lacking. Therefore, individual and collective judgments had to play too important a part.

Because the Guaranteed Loan Program was adopted in great haste and without consultation with the states and universities, it is still in a state of flux. The study has suffered, therefore, by being diverted, on the one hand, by many extraneous pushings and pullings -- but it has benefitted, on the other hand, by having seen what strong attempts are being made to improve the situation.

The scope of the Guaranteed Loan Program, as it is constituted at present, promises to become very large in its monetary implications. Such an endeavor must be completely sound as an aid to financing higher education, or else other, and perhaps better, projects for federal sponsorship in higher education will suffer.

The staff of this study has concluded that serious weaknesses exist in the program -- and that the more important weaknesses lie in the neglect of some basic principles. It is hoped that the earliness of this study may help make it possible to correct these weaknesses before they become deep seated.

Background

The reduced-interest Guaranteed Loan Program was proposed in the original version of the Higher Education Act of 1965. The major provisions were:

1. That the Federal Government insure loans to college and post-secondary students up to a total of $700 million for the first year; $1 billion for the second; and $1.4 billion for the third year.

2. That the rate of interest on loans which would be made by private lending agencies could not exceed a rate to be determined by the Commissioner of Education. On those loans insured by the Federal Government, up to two percent of the interest payment would be paid by the Federal Government. The same interest subsidy was provided for students who had borrowed under a state program or under a guarantee program operated by a non-profit organization.

3. That the Commissioner be authorized to establish an insurance charge not to exceed one quarter of one percent annually of the unpaid balance.

4. The sum of $1 million was to be appropriated to begin the program, and additional funds were to be appropriated as needed.

When hearings on the bill started in February 1965, representatives from various organizations, including the American Bankers Association, the AFL-CIO, and the United Student Aid Funds, Inc., testified. In general, the testimony was not supportive of the proposal, and the following specific points and suggestions were offered:

1. There is no convincing evidence available to demonstrate a present need for a federal loan insurance program.

2. The establishment of a federal program at this time would impair, perhaps displace, existing state and private guarantee programs.

3. A considerably expanded federal loan program should be substituted for the proposed federal guarantee of private loans.

4. The federal guarantee program should be put on a stand-by basis, as a last resort, if state and non-profit guarantee agencies proved insufficient.

5. The Commissioner should be guided in his decision on a satisfactory program as to whether or not the college chose to participate rather than as to whether or not a student found credit available.

With so much opposition expressed to the Guaranteed Loan Program and virtually no testimony supporting it, it was perhaps not surprising that when the Subcommittee on Education reported the Higher Education Act to the full Committee, no mention was made of the Guaranteed Loan Title.

The history of the next steps in the evolution of the Act is quite obscure. The staff of this study could not secure a version on which there was agreement among responsible individuals, so no attempt is made to tell everything that happened from this point until the law was signed.

Legislation

The Higher Education Act of 1965, signed into law on November 8 of that year, provided, in Part B of Title IV, for "Federal, State, and Private Programs of Low-Interest Insured Loans to Students in Institutions of Higher Education."

It was designed with the purpose of providing aid in financing college expenses for those students from middle-income families who had been excluded from loan assistance under existing federal programs. Among its principal provisions were the following.

1. The Act authorized appropriation of $17.5 million for fiscal year 1966 for advances to state and private non-profit loan programs, to provide a reserve fund for guarantee of students' loan funds.

2. It provided through June 30, 1968, a federal program of loan insurance for students not having reasonable access to a state or private non-profit program of loan insurance.

3. It made all students eligible for an insured loan regardless of need, and provided a full six percent federal interest subsidy during study and three percent during repayment for students from families with an adjusted gross income of less than $15,000. The guarantee provision and the interest limitation provision were open to families from all income levels, but interest subsidies were not to be paid for students from families with adjusted gross incomes of $15,000 and above.

The Act, in effect, provided four methods by which the program of guaranteed loans to students in higher education might be provided. The administration could be carried out (1) by an official agency of the state government, (2) by a private agency under contract to the state government and acting on its behalf, (3) by a private agency under contract to the United States Office of Education and acting on its behalf, or (4) under a direct federal insurance program administered by the United States Office of Education. It was, however, the expectation of Congress that "because of the impetus provided the states through this . . . program. . . within a relatively short period of time a state student loan insurance program will be operative in each of the states."(1)

Participation By States

1. The Independent State Agency

At the time the law was enacted, there were 17 state agencies which administered functioning student loan plans at the state level (see Table 17 on pages VIII - 7-9). In these states the administration of the federal program was delegated to the existing agencies, and all 17 agencies executed agreements with the U. S. Commissioner of Education.

Six additional states elected administration by an official state agency and enacted legislation to make it effective (see Table 17). Three of these, California, Illinois, and Indiana, had passed enabling legislation and entered into agreements with the Commissioner of Education by September 6, 1966, bringing the total of state agencies administering the loan program to 20 within the first year after passage of the Act.

The other three states which decided to create a state agency to administer the program (Arkansas, Oklahoma, and Oregon) entered into interim contracts with the United Student Aid Funds and then shifted to state agency operation.

2. Private Agency under Contract to State

The second option -- administration by a private agency under contract to the state government and acting on its behalf -- was elected by 12 states (see Table 17). It appears that these decisions were made as a matter of expediency and for reasons of economy. By delegating the administration to an outside agency the state avoided expenditure for administrative costs. Each of the 12 states

(1) Higher Education Act of 1965, Report No. 621, House of Representatives, 89th Congress, 1st Session, July 14, 1965, page 30.

designated an existing agency or created a special agency to provide liaison with the private agency selected to administer the program -- in each case, the United Student Aid Funds, Inc.

Most of these agreements were made in the late summer or fall -- significantly later than those made by the Commissioner with the majority of states, which had chosen to administer their programs themselves. This late action caused considerable confusion and difficulty among students and institutions of higher education in these states. In most cases it was impossible for students to obtain loans for the fall of 1966, some ten months after the legislation had been approved by Congress.

3. Private Agency under Contract to Federal Government

The third option specified in the law provided that, in the absence of state action, the Commissioner of Education was authorized to enter into contracts directly with a private agency to administer the Guaranteed Loan Program in the state. This option was exercised in the District of Columbia and in the remaining 15 states by the signing of agreements between the U. S. Office of Education and the United Student Aid Funds (see Table 17). These states viewed the U. S. Office of Education-United Student Aid Funds arrangement as the simplest and the most expedient means of implementing the Guaranteed Loan Program, with the least possible administrative responsibility at the state level. A state agency or commission already in existence was usually named to be responsible for the program and was in most cases instructed or encouraged simply to become familiar with the program as administered by the United Student Aid Funds and to perform whatever supplementary clerical duties might be necessary.

Participation by Lenders

According to a report made available by the United States Office of Education, as of January 31, 1967, there were 59,139 financial institutions which, theoretically at least, were eligible to participate in the Guaranteed Loan Program. There were 500 mutual savings banks which were also eligible, and they should be added to the total.

Of this total of 59,639 institutions, it was reported that 12,717 had entered into agreements by that time with the various guarantee agencies and had made one or more loans under the program.

In connection with this study, the College Entrance Examination Board sent questionnaires to samples of the lending institutions in the country. This information is reproduced in Table 16.

The data demonstrate that except for mutual savings banks there is considerably greater participation among the largest institutions in each group. Most encouraging is the 80 percent of the large commercial banks who indicate that they are making guaranteed loans to students. This high level of participation indicates the success of the promotional activities carried on by the American Bankers Association and various state bankers' associations. They conducted an extensive educational campaign to acquaint banks with the new program. They

Table 16

SURVEY OF LENDING INSTITUTIONS
RESULTS AS OF OCTOBER 27, 1967

	Type of Institution	Number Surveyed	Number Responding	Percent Responding	Percentage of Respondents Making Guaranteed Loans
1a.	Commercial Banks with assets of more than $100 million	336	317	94%	80%
1b.	Commercial Banks with assets of less than $100 million	656	394	59	54
2a.	Savings and Loan Associations with assets of more than $100 million	191	127	67	24
2b.	Savings and Loan Associations with assets of less than $100 million	226	129	57	9
3a.	Mutual Savings Banks with assets of more than $100 million	126	113	90	47
3b.	Mutual Savings Banks with assets of less than $100 million	190	131	69	64
4a.	Credit Unions with assets of more than $1 million	193	102	53	27
4b.	Credit Unions with assets of less than $1 million	194	75	39	7
TOTAL		2,112	1,388	66	49
SUBTOTALS					
Larger Institutions (1a, 2a, 3a, 4a)		846	659	75	55
Smaller Institutions (1b, 2b, 3b, 4b)		1,266	729	58	43
TOTAL		2,112	1,388	66	49

distributed to every bank in the country a brochure entitled Banking's New Opportunity and kits which included copies of the regulations and the necessary forms, descriptions of the procedures, and sample radio and newspaper advertisements. The campaign's success strongly demonstrates the very real value of such educational efforts in enlisting and maintaining participation by eligible lenders.

It is extremely difficult to demonstrate accurately the general availability of guaranteed loans to students. Participation by a lending institution does not necessarily mean a high volume of lending activity. A financial institution may have stated that it had made loans under the program, but it did not indicate the actual amount or number of such loans. Personal interviews with 47 of the state officials responsible for administration or coordination of the Guaranteed Loan Program indicated general agreement that loans under the program were not available to all financially eligible students onan equal basis. A review of the beliefs of these individuals leads to the conclusion that in a majority of the states there appears to be a lack of lender participation, or a lack of available funds to service the demand for loans, or both. The critical areas appear to be in large population centers with a concentration of lower-economic-level families, predominently Negro. The other major area of poor participation appears to be the rural areas of the Midwestern states.

These conclusions are based on opinion, but returns from college aid directors also indicate that students unknown at the bank, out-of-state students, students from rural areas, freshmen, and students from low-income families have similar problems. There are firsthand reports on specific problem areas. Participation by the major banks in urban Detroit, Michigan, is limited to two out of six major banks. In July 1967, when our survey was conducted, not one bank or other lending institution in Cuyahoga County, Ohio (which includes Cleveland), or Hamilton County, Ohio (which includes Cincinnati), participated in the program. In Florida, it is nearly impossible to obtain a Guaranteed Loan in the Miami, Tampa, and Jacksonville metropolitan areas. In Kentucky, loans are very scarce in Lexington, Frankfort, and the northern Kentucky area bordering Cincinnati and the southern Ohio suburbs. In Maryland, it is quite difficult for students to obtain loans in Montgomery and Prince Georges Counties, which surround metropolitan Washington, D.C. According to an earlier report of the U. S. Office of Education, the lowest participation in the country is in the District of Columbia, where only 2.4 percent of the lending institutions participate. (The figure was subsequently changed when institutions pooled their credit facilities.) These observations substantiate the conclusions that the availability of Guaranteed Loans is severely limited, at least in some of the major population centers, and that it is uneven.

The levels of participation by the lending institutions may not accurately reflect the degree of their individual interest in the program. The financial institutions were asked to participate in this program at a time when the general economic conditions made their participation most difficult. As the Executive Vice President of the American Bankers Association said in his testimony before the Special Subcommittee on Education of the Committee on Education and Labor, ". . .the program was launched in the face of the tightest money and highest interest rate levels we have seen in 40 years. And, unfortunately, the peak rates were reached last August and September when the program was just getting started. The Federal Government at the time could not even borrow money, through sale of participation certificates, at six percent, which is the statutory ceiling on these [Guaranteed Loan Program] loans."(2)

B. CURRENT STATUS OF THE GUARANTEED LOAN PROGRAM

During fiscal year 1967, the first full year of operation of the Guaranteed Loan Program, 329,000 student borrowers were advanced $248 million for an average loan of $752 (see Table 17). On the face of it this is an excellent record when compared with the venerable eight-year-old National Defense Student Loan Program, which loaned $218 million to 394,000 borrowers in the same year.

It must be pointed out, however, that 60 percent ($149 million) of the total amount and 54 percent (179,000) of the total number of loans under the Guaranteed Loan Program came from seven states (New York, Pennsylvania, New Jersey, Illinois, Connecticut, Massachusetts, Texas) -- all of whom, except Illinois, had state agencies prior to inauguration of the federal program. In further explanation, it may be said that the new Federal Guaranteed Loan Program caused New Jersey's volume to double, perhaps triple, but meant only about a 25 percent increase in New York State's volume inasmuch as the latter was already on a subsidized-interest basis.

The figures for the GLP for the first four months of fiscal year 1968 (see Table 17) show results even larger than the entire 12 months of fiscal year 1967: $252 million borrowed by 281,000 students for an average loan of $895. Again these same seven states guaranteed 60 percent of the total amount for 55 percent of the total number of loans.

The loan totals for the first four months of fiscal year 1968 are ahead of last year's activity by about four months. Last year's activity was hurt by the very tight credit situation and by the fact that some of the states were not set up in time for the 1966 fall semester.

As an aside, it seems highly unlikely that the number and amount of loans estimated by the U.S. Office of Education for fiscal year 1968 (750,000 loans for $638 million) will materialize. The figures would seem to be 30 percent too high.

Direct Federal Insurance

It was the expectation of Congress that adequate programs of state and private loans would be available to meet the needs of all students. However, Section 421(2) of the Act provides for "a federal program of student loan insurance for students who do not have reasonable access to a state or private non-profit program of student loan insurance. . ." It was clearly viewed as an emergency measure which was not expected to be invoked.

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(2) Statement of Charls E. Walker, executive vice president of the American Bankers Association, before the Special Subcommittee on Education of the Committee on Education and Labor, U. S. House of Representatives, April 19, 1967.

(Text continued on page VIII-11)

Table 17

STATUS OF GUARANTEED LOAN PROGRAM
JULY 1, 1966 - OCTOBER 31, 1967

State	Date of Inception	State Appropriation (in thousands)	7/1/66 - 6/30/67 Number of Loans	7/1/66 - 6/30/67 Amount of Loans (in thousands)	7/1/67 - 10/31/67 Number of Loans	7/1/67 - 10/31/67 Amount of Loans (in thousands)
State Agencies Existing Prior to Guaranteed Loan Program						
Connecticut	9/62	$ 3,268	10,611	$ 11,429	10,898	$ 12,282
Georgia	3/65	400	3,946	3,430	3,234	3,084
Louisiana	5/64	977	4,564	2,887	4,048	3,047
Massachusetts	3/57	- (1)	14,001	10,907	10,668	10,188
Michigan	10/62	355	5,383	3,951	4,863	4,267
New Hampshire	8/62	- (1)	1,294	1,117	1,114	1,017
New Jersey (2)	9/60	5,100	16,093	15,797	18,045	18,539
New York	7/58	28,865	77,961	66,448	66,782	64,020
North Carolina	6/65	100	1,921	1,060	1,930	1,127
Ohio	9/62	50	7,536	6,844	2,083	2,046
Pennsylvania	8/63	5,255	25,930	22,520	25,048	23,339
Rhode Island	8/60	140	1,842	1,570	2,526	2,400
Tennessee	3/63	600	2,870	2,092	2,997	2,648
Texas	7/65	- (3)	20,974	9,166	6,142	3,465
Vermont (2)	6/65	55	759	611	1,167	1,058
Virginia	7/61	650	5,734	4,357	6,020	5,468
Wisconsin	1/62	- (3)	5,470	2,781	2,753	2,353
SUBTOTALS			206,889	$166,976	170,318	$160,348
Percent of National Totals			63%	67%	61%	64%
State Agencies Not in Existence Prior to Guaranteed Loan Program						
Arkansas	3/67	-	1,824	855	1,698	951
California	9/66	-	5,899	3,846	10,801	9,964
Illinois	3/66	9,000	13,182	12,891	15,425	17,152
Indiana (2)	8/66	-	3,932	3,222	3,600	3,366
Oklahoma	12/66	-	1,781	1,156	1,832	1,472
Oregon	7/67	24	2,090	1,155	1,445	1,080
SUBTOTALS			28,708	$23,129	34,801	$33,985
Percent of National Totals			9%	9%	12%	13%

(1) Private reserve funds.
(2) Includes loans made under direct federal insurance program.
(3) Operating direct state loan program; Texas has authorized a bond issue of $85 million, and Wisconsin has authorized $20 million from state investment fund.

State	Date of Inception	State Appropriation (in thousands)	7/1/66 - 6/30/67 Number of Loans	7/1/66 - 6/30/67 Amount of Loans (in thousands)	7/1/67 - 10/31/67 Number of Loans	7/1/67 - 10/31/67 Amount of Loans (in thousands)
State Agency Contract with United Student Aid Funds						
Alabama	10/66	$ 100	1,361	$ 820	2,770	$ 1,746
Delaware	10/66	25	437	239	843	479
Florida	9/66	-	2,300	1,548	2,970	2,222
Hawaii (2)	4/66	20	800	631	1,220	1,143
Iowa	7/66	2,000	3,538	2,480	6,927	5,448
Kentucky	9/66	200	2,873	1,773	3,249	2,377
Maine	6/66	-	3,872	2,895	1,442	1,314
Maryland	3/66	485	2,775	2,291	2,271	2,086
Mississippi	8/66	-	2,225	1,324	1,526	1,007
New Mexico	7/66	100	1,881	1,128	1,657	894
South Dakota	5/66	150	1,688	816	1,996	1,092
Utah (2)	8/66	-	1,322	726	1,128	919
SUBTOTALS			25,072	$16,675	27,999	$20,727
Percent of National Totals			8%	7%	10%	8%
United States Office of Education Contract with United Student Aid Funds						
Alaska	8/66	-	73	108	86	79
Arizona	9/66	-	1,532	670	1,413	668
Colorado (2)	8/66	-	2,444	1,759	3,237	3,043
Washington DC (2)	8/66	-	50	44	32	29
Idaho	8/66	200	1,001	617	546	373
Kansas (2)	8/66	50	2,609	1,473	1,731	1,338
Minnesota (2)	8/66	-	3,388	2,175	4,598	3,882
Missouri	8/66	-	2,885	1,764	2,619	1,880
Montana (2)	8/66	-	647	393	785	533
Nebraska (2)	8/66	-	1,007	613	1,118	802
Nevada	8/66	-	313	169	275	197
North Dakota (2)	8/66	-	1,030	620	2,675	2,324
South Carolina	8/66	-	1,024	540	1,019	639
Washington	8/66	-	1,664	1,196	1,837	1,319
West Virginia (2)	8/66	-	1,209	714	1,511	1,055
Wyoming	8/66	-	433	307	514	421
Puerto Rico	10/66	-	3,130	1,114	2,176	1,096
SUBTOTALS			24,412	$14,284	26,172	$19,678
Percent of National Total			7%	6%	9%	8%

(2) Includes loans made under direct federal insurance program.

State	Date of Inception	State Appropriation (in thousands)	7/1/66 - 6/30/67 Number of Loans	7/1/66 - 6/30/67 Amount of Loans (in thousands)	7/1/67 - 10/31/67 Number of Loans	7/1/67 - 10/31/67 Amount of Loans (in thousands)
United Student Aid Funds College Reserve			43,835	$ 26,656	21,678	$ 16,899
Percent of National Total			13%	11%	8%	7%
GRAND TOTAL			328,943	$247,752	280,968	$251,635

As was seen earlier, 23 of the states had independent state agencies, 12 of the states contracted with the United Student Aid Funds (USAF), and 15 took virtually no action to implement the program and, in these cases, the U. S. Office of Education contracted with the USAF. By October 16, 1967, 12 states had exhausted their reserve funds and had found it necessary to invoke direct federal insurance (see Table 18).

Of the 12 states operating under direct federal insurance at that time, nine had been under contract with the USAF and two of the nine had appropriated state funds: Hawaii $20,000 and Kansas $50,000. Of the three independent state agencies operating under direct federal insurance, Indiana had appropriated no state funds, Vermont had appropriated $55,000, and New Jersey $5,100,000.

The 12 states operating under direct federal insurance represented 11.6 percent of the total amount of loans guaranteed during fiscal year 1967. Excluding New Jersey, the other 11 states represented only 5.2 percent of the loans.

Relationship of Guaranteed Loans to Student Resident Enrollment

The 17 state agencies that existed before the Higher Education Act of 1965, generating two-thirds of the lending activity in fiscal years 1968 and 1967 as shown in Table 17, serve 49 percent of the country's student population. The six agencies created or designated to administer the program after the passage of the Act represent 24 percent of the total student population and 13 percent of the loan activity. The remaining 27 states, the District of Columbia, and Puerto Rico, which operate under the United Student Aid Funds, have 27 percent of the total student population and are responsible for 16 percent of the loan volume. In summary, the 23 states that have operating state agencies have 73 percent of the total college student population and make 77 percent of the total number of loans granted.

In Table 19, the states have been ranked according to the proportion of the student residents of each state who have received loans. The student resident population includes full-time and part-time graduate and undergraduate students attending both in-state and out-of-state institutions. Also included in this table are the percentage of student residents who go out of the state and the percentage of students who enroll in publicly-supported institutions of higher learning within the state.

The 15 states which guaranteed loans for relatively larger segments (5.7 percent or greater) of their student resident population are generally characterized by a combination of a high percentage of students going to out-of-state institutions and a relatively low proportion of enrollment in public institutions of higher learning in their state. Thus, their students are faced with higher expenses in private or out-of-state public institutions which in turn cause greater demands for loans. This pattern would also account for the fact that these 15 states were responsible for 60 percent of the dollar volume of loans from July through October 1967, while their student residents make up only 35 percent of the total student enrollment.

(Text continued on page VIII-16)

Table 18

STATES UNDER DIRECT FEDERAL INSURANCE (DFI)
LOAN ACTIVITY REPORTED AS OF OCTOBER 31, 1967

	Date of Inception of Gtd. Loans	State Appropriations (in thousands)	Loans 7/1/66 - 6/30/67 Number of Loans	Loans 7/1/66 - 6/30/67 Amount (in thousands)	Effective Date of DFI	Under DFI Number of Loans	Under DFI Amount (in thousands)
North Dakota (1)	Aug 66	$ 0	1,030	$ 620	Aug 8, 67	2,486	$ 2,185
Hawaii (1)	Nov 63	20	800	631	Aug 23, 67	739	692
Colorado (1)	Aug 66	0	2,444	1,760	Aug 28, 67	3,139	3,017
Minnesota (1)	Aug 66	0	3,388	2,176	Sep 7, 67	3,351	2,967
Utah (1)	June 66	0	1,322	726	Sep 7, 67	674	670
Indiana	Aug 66	0	3,932	3,222	Sep 11, 67	1,524	1,421
Vermont	June 65	55	759	612	Sep 11, 67	256	236
Kansas (1)	Aug 66	50	2,609	1,473	Sep 12, 67	894	752
Nebraska (1)	Aug 66	0	1,007	613	Oct 5, 67	204	165
New Jersey	Sep 60	5,100	16,093	15,797	Oct 10, 67	2,711	2,671
West Virginia (1)	Aug 66	0	1,209	714	Oct 11, 67	38	31
Montana (1)	Aug 66	0	647	393	Oct 16, 67	206	184
TOTAL			35,240	$28,737		16,272	$14,991

(1) Operated under contract with the United Student Aid Funds.

Note: The above 12 states operating under DFI represented 10.7 percent of total number of loans and 11.6 percent of total amount of loans guaranteed during fiscal year ended June 30, 1967. Excluding New Jersey, the other 11 states represented only 5.8 percent of total number and 5.2 percent of total amount of loans guaranteed during that fiscal year.

Table 19

RELATIONSHIP OF NUMBER OF GUARANTEED LOANS
TO STUDENT RESIDENT ENROLLMENT, BY STATES
July - October 1967

Student Resident Enrollment (1) (in thousands)	% of Student Residents Attending Out-of-State (2)	% of In-State Enrollment in Public Institutions of Higher Education (3)	STATE	NO. OF LOANS JULY-OCTOBER 1967 AS % OF STUDENT RESIDENTS	Amount of Loans as % of Total July-October 1967	State Agency or United Student Aid Funds
23	22%	96%	North Dakota (4)	11.6%	0.9%	USAF
654	21	49	New York	10.0	25.5	SA
103	38	44	Connecticut	10.0	4.9	SA
25	34	51	Rhode Island	10.0	1.0	SA
202	43	54	New Jersey (4)	8.9	4.3	SA
23	23	75	South Dakota	8.7	0.4	USAF
14	40	45	Vermont (4)	8.3	0.4	SA
307	23	29	Pennsylvania	8.2	9.3	SA
84	26	54	Iowa	8.2	2.2	USAF
20	35	66	Maine	7.2	0.5	USAF
16	44	54	New Hampshire	7.0	0.4	SA
13	50	83	Delaware	6.5	0.2	USAF
182	22	26	Massachusetts	5.9	4.0	SA
103	36	72	Virginia	5.8	2.2	SA
29	23	93	New Mexico	5.7	0.4	USAF
43	3	66	Puerto Rico	5.1	0.4	USAF
67	20	83	Colorado (4)	4.8	1.2	USAF
341	22	58	Illinois	4.5	6.8	SA
104	16	77	Minnesota (4)	4.4	1.5	USAF
92	9	81	Louisiana	4.4	1.2	SA
28	35	91	Hawaii (4)	4.4	0.5	USAF
76	18	72	Kentucky	4.3	0.9	USAF
12	33	100	Wyoming	4.3	0.2	USAF
88	22	73	Georgia	3.7	1.3	SA
46	17	73	Arkansas	3.7	0.4	SA

Student Resident Enrollment (1) (in thousands)	% of Student Residents Attending Out-of-State (2)	% of In-State Enrollment in Public Institutions of Higher Education (3)	STATE	NO. OF LOANS JULY-OCTOBER 1967 AS % OF STUDENT RESIDENTS	Amount of Loans as % of Total July-October 1967	State Agency or United Student Aid Funds
80	20%	76%	Alabama	3.5%	0.7%	USAF
23	23	89	Montana (4)	3.4	0.2	USAF
90	18	64	Tennessee	3.3	1.0	SA
46	17	77	West Virginia (4)	3.3	0.4	USAF
119	17	65	Indiana (4)	3.0	1.3	SA
10	31	100	Nevada	2.8	0.1	USAF
43	8	63	Utah (4)	2.6	0.4	USAF
45	18	75	Nebraska (4)	2.5	0.3	USAF
45	25	56	South Carolina	2.3	0.3	USAF
85	11	82	Oklahoma	2.2	0.6	SA
80	18	83	Kansas (4)	2.2	0.5	USAF
63	12	99	Arizona	2.2	0.3	USAF
130	17	76	Wisconsin	2.1	0.9	SA
127	21	63	Missouri	2.1	0.7	USAF
308	8	77	Texas	2.0	1.4	SA
73	14	80	Oregon	2.0	0.4	SA
95	13	60	North Carolina	2.0	0.4	SA
27	33	78	Idaho	2.0	0.1	USAF
117	31	68	Maryland	1.9	0.8	USAF
270	11	83	Michigan	1.8	1.7	SA
174	20	73	Florida	1.7	0.9	USAF
116	14	82	Washington	1.6	0.5	USAF
93	13	86	Mississippi	1.6	0.4	USAF
824	6	88	California	1.3	4.0	SA
8	54	87	Alaska	1.1	0.0	USAF

Student Resident Enrollment (1) (in thousands)	% of Student Residents Attending Out-of-State (2)	% of In-State Enrollment in Public Institutions of Higher Education (3)	STATE	NO. OF LOANS JULY-OCTOBER 1967 AS % OF STUDENT RESIDENTS	Amount of Loans as % of Total July-October 1967	State Agency or United Student Aid Funds
276	17	63	Ohio	0.8	0.8	SA
22	36	3	District of Columbia	0.1	0.0	USAF
5,984						

(1) United States Department of Health Education and Welfare, Office of Education, "Opening Fall Enrollment in Higher Education, 1966." Adjusted according to 1963 migration and residence patterns.

(2) United States Department of Health Education and Welfare, Office of Education, "Residence and Migration of College Students, Fall 1963."

(3) United States Department of Health Education and Welfare, Office of Education, "Digest of Educational Statistics, 1966," page 63.

(4) Includes loans made under direct federal insurance program.

(5) Actual total enrollment was 6,096,000.

It is noteworthy that nine of the 15 states had state operating agencies, five were served by the United Student Aid Funds under contract with a state agency, and one (North Dakota) was served by the United Student Aid Funds under contract with the U. S. Office of Education.

C. ROLE OF THE STATES

The key question is whether the Guaranteed Loan Program can and should still take measures (a) to preserve the strength of the stronger state agencies now existing, (b) to help develop the weaker agencies now existing, and (c) to help establish new agencies.

The Higher Education Act of 1965 states as the first purpose of its provision for insured loans to students: ". . . to encourage states and non-profit private institutions and organizations to establish adequate loan insurance programs for students in eligible institutions."

The same section of the Act provides for: ". . . a federal program of student loan insurance for students who do not have reasonable access to a state or private non-profit program of student loan insurance." This provision was put on a standby basis, to expire on June 30, 1968. It was the expectation of Congress that adequate programs of state and private loans would be available to meet the needs of all students, and this option of direct federal insurance was viewed as an interim measure which was not expected to be invoked.

Not as Successful as Expected

As reported earlier in this chapter, at the time the law was enacted there were 17 state guarantee agencies in operation. They had been established between March 1957 and June 1965. All of them had provided state or private funds for their operation. With the enactment of the law:

a. Six states set up state guarantee loan agencies, but only two of them provided funds for the agencies' operation.

b. Twelve states created agencies which contracted with the United Student Aid Funds to administer the program; eight of these appropriated funds for operation.

c. The remaining 15 states took no action. The United States Office of Education entered into contracts with the United Student Aid Funds in all cases.

At the time this report was written, 12 states were operating under direct federal insurance. It was expected that another ten or more states would exhaust their loan reserve funds by December 31, 1967, and would seek direct federal insurance.

Clearly, then, this major attempt to encourage the Federal Government and the states to work together in a national program, the states assuming the primary role, has not been as successful as it was hoped. The program was enacted with such haste that the states were never consulted. The states in many cases would have had to take formal legislative action to implement the program; in some cases time was too short, and in other cases the state legislatures were not scheduled to meet.

To return to the key question, can and should the Guaranteed Loan Program make strenuous efforts to build up the state agencies? The staff of this study recommends that it should.

Direct Federal Insurance and Its Future Role

The most important factor in considering the program's efforts to build up the state agencies is the future role of direct federal insurance. In the seven in-depth discussions held with state officials and representatives of lending institutions and of colleges and universities the consensus was that the Act's provision for direct federal insurance has, regardless of original intent, been a deterrent to action in many states -- or, at least, a convenient excuse for inaction. It has provided an easy "out" for many legislatures, particularly in less affluent states, to evade voting a state appropriation.

This dilemma was brought into sharp focus in the interviews with officials in 47 states who were responsible for the Guaranteed Loan Program. Most of them were certain that the implementation of the direct federal insurance provision in their own state would most certainly prevent any chance of future state support for the Guaranteed Loan Program.

Perhaps even more important, the agency directors indicated that the implementation of direct federal insurance in neighboring states would hamper their chances for continuing appropriation for both reserve and administrative funds. They indicated that their legislators would be reluctant to appropriate state funds when they could clearly see that federal funds were available to do the same job. The feeling was most pronounced in states where the agencies were newly formed, but it did exist even in states with strong, established agencies.

The operation of the direct federal insurance program during its first few months appears to be smooth, competent, and effective. It can point to the excellent record of 16,272 student loans totalling $14,991,000 made in the period from August 8 to October 31, 1967. In that same period participating agreements were negotiated with about 1,250 lending institutions, 1,045 of which are commercial banks, 67 savings and loan associations, and 117 credit unions. Significantly, at least 267 of these lending institutions had not previously participated in the Guaranteed Loan Program. This impressive record was helped, of course, by the large backlog of loan applications which had accumulated during the busiest period of the year in those states which switched operations to direct federal insurance. However, in the first four states to operate under direct federal insurance -- North Dakota, Hawaii, Colorado, and Minnesota -- the amount of loans guaranteed by October 31, 1967, far exceeded the amount for the entire fiscal year 1967. (Table 18)

In answer to the question of whether the lending institutions would lend less or more under direct federal insurance (see Table 20) 69 percent of the respondents said "the same amount," seven percent said "more," six percent "less," and 18 percent did not know.

Experience with direct federal insurance is not yet sufficient to answer the important questions about direct federal insurance.

1. Might not a state -- for example, New Jersey, just recently operating under direct federal insurance after seven years of administering its own program -- decide to stop appropriating funds for reserve or administrative purposes?

2. If a state will not appropriate funds in the future, even though the lending institutions have said that they will continue to supply credit (Table 20), will the Federal Government be able to promote continuing and larger participation on statewide bases from lending institutions now in the program and from those not participating?

3. If a state will not appropriate funds in the future, how will the Federal Government maintain the relatively close relations with lending institutions, colleges and universities, and students that are required on a day-to-day basis?

Performance of Strong States

On the whole, the most effective, efficient development of the Guaranteed Loan Program occurred in those states which had independent guarantee agencies. The strong state guarantee agencies have demonstrated that they can perform well, given the funds for reserve and administrative purposes. As discussed earlier, the 17 agencies that existed before the federal program, serving 49 percent of the country's student population, generated over two-thirds of the lending activity during fiscal year 1967 and the first four months of this fiscal year. It must be repeated that seven states alone, six of which had state agencies before the inauguration of the federal program, granted 60 percent of the amount of loans in fiscal 1967. There is no doubt, of course, that the new Guaranteed Loan Program was responsible for a very large portion of these states' increases over the previous year. The subsidization of interest and the advance of "seed" money were attractive stimulants.

Source of Loan Funds

The other major area for concern is the source of loan funds for an expanded program (discussed in section H of this chapter). A successful loan program will need funds to supplement those provided by individual lending institutions. The states have shown flexibility in providing, or planning to provide, funds for lending from state bond issues, investment of state funds, tax-exempt revenue bonds, statewide pool of credit, and university funds. It would seem then that the state, rather than the Federal Government, would have the opportunity for developing these other sources of funds and along lines best suited for each particular state.

Table 20

OPINIONS OF LENDING INSTITUTIONS ON
OPERATING UNDER DIRECT FEDERAL INSURANCE

Question: "If the Federal Government guaranteed loans directly in your state (i.e. in lieu of or in addition to the agency that presently administers the guarantee program in your state) would your institution make more, the same, or fewer loans to students than you have made under the state or private guarantee approach?"
Answers are in percentages of respondents reporting their opinion.

	More	Same	Fewer	Can't say
Commercial banks				
Large	7%	72%	8%	13%
Small	6	67	7	20
Mutual Savings banks				
Large	8	67	4	21
Small	5	67	2	26
Savings and Loan associations				
Large	0	73	6	21
Small	0	80	0	20
Credit Unions	19	70	0	11
TOTAL	7	69	6	18

Recommendations

The staff of this study recommends that steps be taken to strengthen the existing state agencies and to continue encouraging the creation and maintenance of strong state agencies. It feels that the Guaranteed Loan Program will grow larger and sounder on the decentralized, state basis, for the following reasons:

1. Decentralization is in keeping with the philosophy of "creative federalism," which has as its object the building and strengthening of federal partnership with other operating levels of government in a given program -- in this case, the individual state governments.

2. The individual state can attend to its particular needs, bring in the stronger sense of local responsibility and pride, be more flexible, and promote a closer working relationship among those who must cooperate to make the program successful.

3. The strong state guarantee agencies have already demonstrated their effectiveness.

4. The colleges and universities must become more closely involved in the program (discussed later in this chapter). Their day-to-day and month-to-month operations can be handled more expeditiously on a statewide basis than on a nationwide basis. This fact is equally true for the thousands of vocational and trade schools.

5. The lending institutions will number 20,000 and more as the program becomes more successful. Here again, their day-to-day operations can be handled more expeditiously on a statewide than a nationwide basis.

6. The sources of funds are the most important ingredient in the program. Some funds can come only through state efforts. The large amounts of money from commercial and savings banks must continually receive attention and promotion. This can be done better on a statewide basis, because a closer and more personal approach is feasible.

7. Flexibility in operation is another important ingredient. Those who worked on the study witnessed the half-dozen different ways in which a half-dozen states solved their problems and heard a good deal of testimony in favor of keeping the program on a statewide basis.

In furtherance of the plan to strengthen state programs, the staff of this study recommends that the provision for direct federal insurance be phased out of existence. The interviews with 47 state commissioners or agency directors, the seven in-depth state visits, the numerous discussions, including a meeting of the Advisory Committee, all revealed the very strong conviction that direct federal insurance was incompatible with strong state guarantee agencies. This incompatibility has previously been discussed in this chapter as it has affected some states in giving them an easy "out" to evade voting a state appropriation and, even more important, as it may affect other states in hampering their efforts for continuing appropriations for both reserve and administrative funds. To apply Gresham's Law, simply imagine that instead of "bad" money driving out "good" money, in this case "no" money would drive out "some" money. (For the average reader, let it be explained that direct federal insurance provides the benefits of the Guaranteed Loan Program at no cost to the state).

The direct federal insurance provision expires June 30, 1968. The study staff believes that it should not be allowed to expire at that time because too many states will not have had a full opportunity to get their houses in order by that time.

In conclusion, the study staff recommends that steps be taken to strengthen the existing state agencies and to continue encouraging the creation and maintenance of strong state agencies, by:

1. Removing the present provision for direct federal insurance because it serves to weaken strong state agencies, but only after continuing it on an announced temporary basis from its present expiration date of June 30, 1968, to a new expiration date of June 30, 1970.

2. Bringing in a strong incentive to encourage creation of state agencies where they do not now exist. The combination of two of the proposals now before Congress should be sufficient to give such encouragement, with an additional consideration of sharing costs of administering the state program.

The first of the two concrete proposals now before Congress, mentioned above, is the so-called reinsurance plan. All reserves held by a state agency, whether derived from federal "seed" money or from its own state appropriations, now permit a tenfold expansion in loan capacity ($100,000 reserves act as a base for $1 million loans). The reinsurance plan proposal is that these reserves permit a fiftyfold expansion in loan capacity ($100,000 reserves act as a base for $5 million loans). The Federal Government would reinsure by guaranteeing 80 percent of the loans, and the state 20 percent. The state is unaffected on paper, inasmuch as its earlier 100 percent guarantee of $1 million loans is now converted to a 20 percent guarantee of $5 million loans. This 80 percent reinsurance proposal is strong in encouraging and helping state agencies, but it is weak in that it is accruing a steadily mounting federal liability for all of its share of defaults. There is no cash reserve to meet the Federal Government's guarantee of 80 percent; the cash reserve of two percent is available only to meet the states' 20 percent guarantee. If the 80 percent reinsurance proposal is to be truly effective, however, in creating strong state agencies, it must at the same time provide adequate assurance of autonomy on the part of the states.

The second proposal now before Congress is to make available to the states $12.5 million additional "seed" money, which would require an equal matching deposit by each state. This total of $25 million in reserves could in turn take advantage of the 80 percent reinsurance plan multiplier, making $125 million additional for guarantee reserve and $1,250 million additional for loan funds. This would seem to be a good form of encouragement to states, but it would be even more effective to make some of the seed money, on an unmatched basis, available during fiscal year 1968. Additionally, the use of the seed money on the matched basis should be restricted to fiscal years 1969 and 1970, and should terminate on June 30, 1970, in line with the recommendation immediately following.

To carry out the set of recommendations under discussion, it is recommended that as of June 30, 1970, direct federal insurance be terminated and no further federal advances be made. If a state still has not taken appropriate action to make the guarantee plan effective by June 30, 1970, and if it is important that the state have a guaranteed loan program, it would then be up to the college-going students, their parents, and the higher education and vocational schools located in that state to request their state government to take action. If this procedure is not followed, direct federal insurance will probably wipe out independent state agencies.

In summary, what has been recommended so far, then, is that the strongest encouragement should be given to creating and maintaining strong state agencies by supporting the proposals, in somewhat modified form, now before Congress: the reinsurance plan and the additional seed money on a matched basis. Some of the latter should be made available on an unmatched basis during fiscal year 1968, and all of it should terminate on June 30, 1970. Along with this recommendation goes another -- that, upon due notice, direct federal insurance should terminate on June 30, 1970.

As an alternative proposal, if it is unacceptable that direct federal insurance be eliminated as of June 30, 1970, then it is recommended that the Federal Government continue to guarantee the loans after June 30, 1970, but that the federal subsidization of interest should be removed in those states operating under direct federal insurance. After all, the Federal Government has to choose its objectives. It cannot help all states at all times under all circumstances. The greater good of the country can be served by pursuing the course of helping the most states most of the time. The Guaranteed Loan Program is so important to higher education that it cannot run the risk of losing the strong and medium-strong states in trying to bail out the weak states.

The staff of this study found most valuable its seven, day-long, in-depth discussions with representatives from lending institutions, colleges and universities, and state guarantee agencies. For a new program, not thoroughly understood and appreciated, there is a need to explain the different methods of operation and their strengths as shown in other states. It is recommended that conferences be held on the Guaranteed Loan Program with state officials, preferably at the state level -- but if time and staff do not permit, at the national level.

D. FINANCIAL NEED AS A CRITERION

Under the present laws governing the Guaranteed Loan Program the only financial need criterion involved is the determination of adjusted family income of less than $15,000 (which is equivalent, for example, to $20,000 gross for a family with three children). Each student borrower from a family whose adjusted income is less than $15,000 "...is eligible for the interest on his educational loan up to six percent simple interest, to be subsidized by the government. This full subsidy results in the student's paying no interest while he is in college and only three percent during the repayment period (while the government also pays three percent.)" Students from families that have adjusted incomes of $15,000 or over are not eligible for the interest subsidy but are eligible for guarantee of principal of loan not to exceed six percent simple interest and at the same lenient repayment terms. All these conditions apply both to federally insured loans and to loans insured under state and non-profit programs which meet approved standards.

In both cases -- under and over the $15,000 line -- the federal guarantee and interest subsidy (where applicable) are for loans to students, not to parents. They are available only if lending institutions provide the loan funds in the individual cases.

One of the expressed Congressional concerns supporting guaranteed student loans in 1965 was that many middle-income families were being excluded from needed loan assistance under existing programs. While National Defense Student Loans were designed mainly for the neediest students, the Guaranteed Loan Program was directed, at least in part, to recognizing that the middle-income student and his family often had legitimate needs and required help to meet the spiralling costs of college education. There was the feeling that too many families were being declared ineligible for student loan assistance because their income levels fell above some all-too-low definition of financial need.

The other federal loan programs, the Educational Opportunity Grants Program, and the College Work-Study Program all require the involvement of the college financial aid officer in determining student financial need in accordance with regulations established by the Commissioner of Education.

In an attempt to clarify and simplify the question of a financial need criterion, it is desirable to define certain terms and outline general student financial aid practices.

1. A student's <u>educational expenses</u> are made up of tuition, fees, books, supplies, transportation, clothing, and allowance for personal sundries -- plus room and board for the resident student or an allowance for food and maintenance for the commuting student.

2. A student's <u>non-institutional resources</u> come from parental contribution, the student's summer earnings or savings or both, and non-institutionally administered scholarships and grants, if any.

3. The <u>parental contribution</u> can be derived from a formula that ranges from the simple (based solely on parental annual income, gross or adjusted) to the more complex (based on family income, number of dependents, extraordinary medical and other expenses, assets, liabilities, number of children in college, and so forth). Some situations call for a simple formula, primarily for administrative purposes, while others, particularly when limited resources must be disbursed carefully, call for a more complex formula.

4. The difference between educational expenses and non-institutional resources is the student's financial need.

5. To meet a student's financial need, the educational institution attempts to provide grants, loans, part-time employment, or a combination of these. The grants may come from general income, endowed scholarship funds, unrestricted or restricted grant funds, federal Educational Opportunity Grants, or some combination of these. The loans may come from institutional loan funds or any of the several federally assisted loan funds, or from both sources. The part-time employment may come from jobs on-campus or off-campus sponsored by institutional or non-institutional funds or by the federal College Work-Study Program.

Another set of terms to be used in this discussion needs to be defined: the loan of necessity and the loan of accommodation. The loan of necessity is one that is required to help meet a student's financial need as defined above. The loan of accommodation is that which is not required to help meet a student's financial need but is needed to meet or to help meet the parental contribution.

Example: Using one national formula for illustrative purposes, Family A has three children and $14,000 annual income; it is an uncomplicated case without special assets or special expenses. The formula suggests that the reasonable parental contribution is $1,720 and that son John should contribute $400 in summer earnings or savings. Son John applies to private College X, where his total educational expense budget as a resident student is $2,900. The gap between this budget and the sum of the parental contribution ($1,720) and John's contribution ($400) is $780. This constitutes John's financial need. Any loan to meet or help meet that financial need after reduction by institutional grant or employment or both, would constitute a loan of necessity. Any loan covering some or all of the parental contribution ($1,720) constitutes a loan of accommodation. In fact, any loan amount beyond the student's financial need as defined and as reduced by institutional grant and/or employment, if any, is a loan of accommodation.

Son John also applies to College Y, where his total educational expense budget as a resident student is $2,400. In this case John's financial need is only $280, the difference between the budget of $2,400 and the sum of the parental contribution $1,720) and John's contribution ($400). Any loan to help meet that financial need, after possible reduction by institutional grant or employment, constitutes a loan of necessity. A loan for any amount above this becomes a loan of accommodation.

A complicating factor of the Guaranteed Loan Program is that it mixes and confuses loans of necessity with loans of accommodation. Under the present program there are loans going to students with financial need, as defined above, but there are also loans going to students without financial need, as described below. In their replies to the questionnaire, college aid officers estimated (and perhaps it is fairer to say "guessed") that 50 percent of the students who applied for and 60 percent who received guaranteed loans last year did not have financial need, as determined by their institutions' own normal standard of need.

In Family B the father earns $12,000 before tax and there are no complicating circumstances. Their only daughter attends a private college, resides on campus and has a total educational expense budget of $2,300. Her family would be expected to contribute $2,150 and she would be expected to provide $300 from summer earnings or savings, thus meeting her expenses. However, she would be eligible under present circumstances for the federal guarantee and interest subsidy, but any loan would, in fact, be one of accommodation since she has no financial need.

In Family C the father earns $9,000 before tax and there are no complicating circumstances. One of the family's two children attends a public community college and commutes from home. His total educational expense budget is $1,400, which is more than met by the expected contribution of $1,150 from his family and $400 from his savings or summer earnings. Hence, no loan of necessity would be involved, and any loan to this student would be a loan of accommodation.

The declared limit of $15,000 adjusted family income may exclude some families with financial need.

In Family D both parents work, and their combined income is $23,000, of which $7,000 is contributed by the mother. Of the three children, one is a student at a private college. He has total educational expense of $3,500 and receives no grant aid. The family has medical expenses of $1,400 and supports a grandparent, who lives with them. The second youngster to enter college will attend a private university with total expenses of $3,400. As calculated by one need analysis procedure, his family would have a financial need of $750 for each of the two college-going sons. However, under the present legislation, neither of the students would be eligible for the interest subsidy even though each has financial need.

Some Findings

Several aspects of the question of requiring financial need as a criterion of the Guaranteed Loan Program were examined in this study.

1. The only available comparison of family income levels between the Guaranteed Loan Program and National Defense Student Loan Program (see Table 21) gives a tentative indication that:

    a. The Guaranteed Loan Program is indeed serving more middle-income students and families, as intended; is providing a source of funds for many low-income families; and is being utilized very little by those upper-income families not eligible for the subsidy of interest.

    b. The National Defense Student Loan Program is basically serving the neediest students and families, as intended, but also serves many families with need in the middle and upper income levels.

Table 21

COMPARISON OF FAMILY INCOME LEVELS BETWEEN
THE GUARANTEED LOAN PROGRAM
AND THE NATIONAL DEFENSE STUDENT LOAN PROGRAM

Guaranteed Loans Reported and Processed by December 1967 (1)			National Defense Student Loans (2)				
				Percent of Total Borrowers			
Adjusted Family Income Levels (3)	Percent of Borrowers (287,000)		Gross Family Income Levels	1966 (377,000)		1967 (394,000)	
$ 0-$ 2,999	12	32	$ 0-$ 2,999	23	54	23	52
3,000- 5,999	20		3,000- 5,999	31		29	
6,000- 8,999	26	51	6,000- 7,499	18	40	17	42
9,000- 11,999	25		7,500- 11,999	22		25	
12,000- 14,999	16		12,000- 14,999	4		4	
15,000 or more	1		15,000 or more	2		2	
	100%			100%		100%	

(1) Source: Preliminary summary of the first 286,771 guaranteed loans totalling $203 million reported to and processed by the U.S. Office of Education.
(2) Hand tabulations of 1966 and 1967 National Defense Student Loan Program Annual Operations Reports, as reported by the U.S. Office of Education.
(3) IMPORTANT NOTE: Adjusted family income is reported as not having been handled consistently; the figure may be for gross income, adjusted gross income, or net taxable income. It is firmly believed, however, that the vast majority of the cases reported are gross income -- and hence, are comparable to the National Defense Loan gross income levels.
___ Approximate level of adjusted family income eligibility for subsidized federal interest.

Although this comparison should be expanded and replicated as soon as current data are available, it appears that the two programs overlap similar family-income levels to a considerable degree. The Guaranteed Loan Program provides a very attractive source of loans of necessity to needy students as well as loans of accommodation for some families. The National Defense Student loans are invaluable in assisting those from the lowest economic groups.

2. In interviews conducted with state loan agency personnel, 32 of the agencies indicated a strong feeling of support for the requirement of financial need as a criterion of the Guaranteed Loan Program. The 17 state guarantee agencies which were in existence before the Guaranteed Loan Program became effective, as well as the United Student Aid Funds, required financial need as a criterion until their participation in the Guaranteed Loan Program. The United Student Aid Funds and most of those original state agencies express a preference of need determination as a criterion in lieu of the present inflexible level of $15,000 adjusted family income.

3. In a series of seven interviews with selected representatives from institutions and lending agencies, there was widespread agreement that financial need should be considered as the primary criterion for eligibility to receive subsidized guaranteed loans. Concern was expressed that parents and students are seeking, and will seek, to take full advantage of interest-free and low-interest loans whether they need them or not and that these loans will be used for other than educational purposes when the student is not in real need. It was agreed that loans of accommodation may be desirable and should be made available as resources permit to assist middle-income families, but that these loans should not be subsidized nor charged as federal aid to higher education.

4. In the survey of lending institutions 95 percent of the respondents agreed (71 percent indicated strong agreement) that the financial need of a student should be taken into consideration in deciding whether to award a guaranteed loan (see Appendix). Furthermore, 80 percent of the lenders report that at present their institutions take the student's financial need into consideration when making student loans. The fact that need consideration has continued in states where it was previously authorized and has begun in newly participating states indicates that lenders feel the use of need criterion is the best way to utilize and disburse funds that are in short supply.

   In interviews with numerous representatives from lending institutions concern was expressed about the problems created by the lack of a financial need criterion. Without a determination of need, a lending institution cannot use its limited funds strictly for loans of necessity because it may unknowingly be granting loans of accommodation. Also, it is sometimes difficult for a bank to deny a loan of accommodation to a good customer, but such loans threaten to exceed the lending limits established by many institutions, forcing the denial of loans to others with real need.

5. Institutions of higher learning are strongly in favor of taking a student's financial need into account in determining how large a guaranteed loan should be made (see Appendix). Seventh-five percent of them indicated that they believed they should specify the maximum

amount to be loaned to a student who has financial need, and 63 percent indicated that they should make the recommendation even if the student had no financial need. Collegiate institutions are usually in contact with the lenders regarding guaranteed student loans, and the majority are recommending to the lender the amounts to be loaned. The lenders are usually following these recommendations, although they obviously have the responsibility of the final decision on whether a student will receive a loan and how much he will get.

In comparison with other federally supported student aid programs, institutions of higher learning rate the Guaranteed Loan Program as the least successful in providing for the needs of their students (see Appendix). In all other federal programs the colleges have the responsibility of determining student financial needs and attempting to meet these needs through an appropriate application of aid resources. The Guaranteed Loan Program is the only extensive student aid program outside the college purview and control; this means no responsibilities or divided ones in the Guaranteed Loan Program and hence, a resistant or even hostile attitude on the part of many colleges.

There have been cases in which a lending institution has granted a guaranteed loan after a college has granted other financial aid to meet a student's need. In other cases, students have been denied guaranteed loans after institutionally administered aid resources were depleted. The result is that lending institutions can thwart the careful work of a college financial aid officer by providing an overlapping or duplication of awards, or by hindering his efforts to award balanced "packages" of financial assistance.

6. Finally, the Advisory Committee of this study was in full agreement that financial need should be a criterion of this program.

Summary and Recommendations

The present Guaranteed Loan Program legislation states that there shall be no financial need criterion other than defining those adjusted family incomes under $15,000 as eligible for federally subsidized interest payments. There is a large body of opinion in favor of requiring financial need as a criterion in the Guaranteed Loan Program. The majority of colleges and universities reported during this study that they want it. Lending institutions favor it as a means to make more effective use of their funds. Most state guarantee agencies favor it. United Student Aid Funds, the American Bankers Association, and the American Council on Education have publicly indicated that they support it. There is evidence, also, that lenders are taking need into account in awarding loans and that institutions of higher education are, in many cases, recommending the amounts that should be loaned. The Guaranteed Loan Program as presently constituted can become staggeringly large in its demands for loan funds and federal subsidy of interest. It is important that this demand be kept within stricter bounds by limiting it to needy students.

As indicated earlier, the arbitrary ceiling of $15,000 adjusted family income provides interest subsidy benefits to some students from families which can not demonstrate financial need. Other families with higher incomes but large numbers of children and special financial problems have financial need but are unable to obtain the federal interest subsidy. It is recommended that financial need be required as a criterion in the Guaranteed Loan Program and that all loans to students and families demonstrating financial need be considered loans of necessity and therefore eligible for the federally subsidized interest payments.

E. LOANS OF ACCOMMODATION

In the preceding section on "Financial Need," the distinction was made between the loan of necessity and the loan of accommodation. The loan of necessity was defined as a loan required to help meet a student's financial need, after providing for a fair and reasonable parental contribution. The loan of accommodation was defined as a loan needed or desired to meet or help meet the parental contribution.

The loan of necessity would qualify for interest subsidy as an aid to meeting measured need. The loan of accommodation would not qualify for the interest subsidy, but would be guaranteed. What is envisioned, then, is not a radical change from the present program -- only that eligibility requirements for the subsidized loan be tightened, that subsidized loans be granted only against measured need, and that loans of accommodation be available to any parents who want them to help meet the parental contribution.

Congress intended that many middle-income families should be helped and hence stipulated that financial need should not be a criterion.

Allowing credit for tuition payments for higher education to be given on income tax has been suggested for many years as one possible source of assistance to families at all income levels. The cost of such credits to the federal treasury, measured against the potential benefits accruing to families, has been a factor in Congressional rejection to date of the tax credit plan and helped to produce the Guaranteed Loan Program in the first instance. And possible changes in the Guaranteed Loan Program should be viewed in the light of benefits to families and cost to the Federal Government in contrast to other alternatives (or partial alternatives) such as tax credits.

In the survey conducted of institutions of higher education as part of this study (see Appendix), institutions reported that the introduction of a tax credit plan with maximum benefits of $325 per family would generally not reduce the institutions' need for financial aid funds. Fifty-four percent reported it would not reduce that need at all, another 39 percent reported it would reduce the need but not by much, and only seven percent of the institutions reported tax credits would substantially reduce that need. The health professions and nursing schools voiced similar opinions.

The question of the parental contribution, however, remains. Before one can fairly differentiate between loans of necessity and loans of accommodation one must first assume that it is possible to determine a parental contribution that is fair and reasonable and that gives weight to annual income, number of dependents, number of children in higher education, and other relevant factors.

Practically all colleges and universities and state scholarship agencies are now computing this contribution by themselves or through some national service. And the results indicate that it is possible to compute a parental contribution that is fair and reasonable in all cases except the very unusual.

In contrast to those who, because of lack of sufficient financial aid, may have to contribute more than a reasonable amount, some parents, no matter how fair or reasonable the amount of parental contribution, will not be able or willing to meet it because of one or more circumstances or reasons. How such families are to meet that contribution is at the heart of the idea of a loan of accommodation. Table 21 indicates that only one percent of families that have an adjusted income of $15,000 or over use the Guaranteed Loan Program. It is not possible to determine from the data available how many of the borrowers whose income is either above or below that figure do or do not in fact need this loan assistance. But the comparison of the Guaranteed Loan and the National Defense Student Loan data tends to suggest that most of the Guaranteed Loan borrowers, perhaps 75 percent, do in fact need this aid to help meet measured need and not to help meet the parental contribution.

Parents may be unable or unwilling to produce a reasonable parents' contribution for one or more of a variety of reasons:

1. Inability to meet the typical lump sum payment schedule of college billing.

2. The wish to maintain the family's standard of living.

3. A lack of liquid assets.

4. The wish to stretch out the payments for several years beyond the course of study.

Whatever the reason, parents should have access to credit as necessary to help them meet these payments.

Federal Housing Authority insurance has done much for nationwide housing. Perhaps an FHA-type agency could do much for nationwide higher education. The parent of one or two children in college wants two things in a loan: lenient repayment terms and a reasonable rate of interest. For a loan of accommodation, the Federal Government should not subsidize any of the interest, during study or after study is finished. The loan should be to the parent, not to the student. The Federal Government could guarantee the loan by the lending institution, making it easier to secure a long-term loan at a reasonable rate of interest. But the interest rate should be based on the market, just as long-term mortgage rates are -- so that they are attractive to lending institutions.

If possible, it would be highly desirable to divorce these loans of accommodation from the U.S. Office of Education and from the colleges and universities, so that any federal costs would not be charged to higher education. It is realized, however, that colleges and schools might have to be drawn into such loans to the extent of certifying the enrollment of the parent's child and, perhaps, the estimated amount of the parental contribution. In providing for loans of accommodation, it is hoped that the Federal Government will not consider any costs involved as charges against funds for higher education. Many worthy projects in higher education will need to compete for federal funds. They should not have to compete with the costs attendant on loans of accommodation. It could be, of course, that such loans administered under an FHA-type agency would be of little or no cost to the Federal Government.

The simplest solution to providing the loans of accomodation is through direct federal insurance. As stated earlier, there should be no federal interest subsidy; the Federal Government's guarantee of the loan by the lending institution should make it easier to serve a long-term loan at a relatively reasonable rate of interest. This recommendation to use direct federal insurance is not incompatible with Recommendation 10a which would remove direct federal insurance June 30, 1970. The latter is meant to affect only loans of necessity.

It is recommended, therefore, that loans of accommodation should be made to the parent, not to the student, should be guaranteed by the Federal Government, and should not receive federal interest subsidy. Loans of accommodation should be retained as a feature of the Guaranteed Loan Program and administered through the device of direct federal insurance, or they should be handled by a federal agency, patterned after the Federal Housing Administration, established for the purpose of guaranteeing such loans.

These loans could then absorb whatever need for them exists. This type of loan, in essence, would fill much of the need and purpose envisioned by Congress when it enacted the Guaranteed Loan plan initially and would not involve federal subsidies where need did not exist. The goal could be accomplished with very little or no drain on the federal treasury.

F. CLOSE INVOLVEMENT OF EDUCATIONAL INSTITUTIONS

Since 1958, the Federal Government has established four generally available programs of student financial assistance at the undergraduate level: the National Defense Student Loan Program, the College Work-Study Program, the Educational Opportunity Grants Program, and the Guaranteed Loan Program. In the first three of these, the Federal Government has vested primary responsibility for administration in the colleges and universities the recipients are attending. In all three, the institutions themselves, operating under regulations issued by the U.S. Office of Education, have the responsibility for selecting the students who shall receive financial assistance, assessing their financial need and determining the amount and kind of assistance they shall receive, and disbursing the funds to the students in payment of direct and indirect educational expenses. During their development of these programs on their own campuses, the colleges and universities have developed carefully considered and educationally sound methods of fulfilling these responsibilities on behalf of their students. Most important, perhaps, they have developed policies and procedures for combining the various forms of financial assistance into "packages" designed to meet the needs of their students in the best way -- best in terms of financial, educational, personal, and social needs of their students.

The Guaranteed Loan Program, however, does not fit into this well-developed pattern of institutional involvement. Under the present program, the lending institution (bank, credit union, savings and loan association) determines which student shall get a loan and what the amount of that loan shall be. Payments of the loan are made directly to the student borrower, and the use to which he puts the proceeds of the loan is not directly controlled by an agency. Funds are paid to the borrower without regard to the schedule on which he must pay his direct and non-direct educational expenses.

These procedures obviously upset the carefully constructed procedures by which colleges have, in the past, made use of federal student aid programs in providing assistance to their students. The lending institution can thwart the careful work of the financial aid officer by providing overlapping or duplicating resources. Students may borrow more than they need, more than they can repay, and more than good judgment suggests that they should have. This divided responsibility has generated hostility to the Guaranteed Loan Program by the institutions who believe, probably with some justification, that it undoes the institutions' efforts to create reasonable packages of financial aid for their students.

Some examples from the questionnaire to the institutions demonstrate some of the problems:

When asked if the institution recommended to the bank the amount to be borrowed under the program, 60 percent of the institutions said "Yes, in most or some cases." When asked if the recommendation was followed by the bank, only 28 percent said "Yes," while 47 percent said "Yes, in only some cases."

When asked if the institution should specify the maximum amount loaned to a student under the program, 48 percent said "Definitely yes," and 27 percent said "Probably yes." In the public and private institutions with larger enrollments and more full-time financial aid officers, the response was 61 percent "Definitely yes."

Colleges and universities were asked about the packaging of the various federal aid programs to meet their students' needs. The responses shown in Table 22 indicate the extent to which various federal aids are packaged with each other.

Table 22

FREQUENCY OF PACKAGING FEDERAL STUDENT AID PROGRAMS

	EOG	CWS	GLP	Other Aid
NDSL with	90%	85%	24%	72%
EOG with		75	28	67
CWS with			42	62

This table demonstrates that while the existing programs are generally combined with each other to provide reasonable packages of student aid, the Guaranteed Loan Program is infrequently used in this way. This means that the GLP has not been successfully integrated into the existing patterns, and its usefulness to the institutions is limited.

In the series of seven in-depth interviews, it was the strong consensus that the colleges should play a major role in determining which students need Guaranteed Loans, should recommend the loan amount, and should have the ability to combine Guaranteed Loans with other aid resources when determining financial aid awards. Eighty-three percent of the lending institutions also indicated they would like to have a recommendation from the student's college on the loan amount.

Another difficulty which has arisen is that a Guaranteed Loan may be granted to a student who has already received a National Defense Loan from an institution. It is incongruous that a student may receive loans from two different federal loan programs because administration of loan funds is not coordinated to make certain that the stated maximum amount of loan is not exceeded, responsibility for the loans should not rest in two different sources. Better use would be made of the funds available if the college assumed all responsibility.

In section D of this chapter, it has been strongly recommended that the loans available under the Guaranteed Loan Program be restricted to students with financial need. Under this recommendation it becomes even more compelling that the institution have a responsibility for determining which students should receive loans and recommending how much they should receive. The same recommendation is repeated here, in the context of the need for institutional involvement if the program is to achieve its stated purpose most effectively. It is recommended that the colleges and universities, acting under ground rules established by themselves, the lending institutions, and the guarantee agencies, shall be responsible for determining which students should receive loans under the GLP and for recommending the amounts of loans they should be granted.

G. RETURN TO LENDING INSTITUTIONS

In the final analysis, success or failure of the Guaranteed Loan Program -- based as it is on private credit -- will depend on the amount of private credit available. A state or federal guarantee is obviously a stimulant to availability but, by itself, does not assure availability in the amounts required to meet student demand. Lenders seem willing as a social responsibility to meet demands (up to a point), depending on total resources available. Ultimately the profit to the lender must be a consideration if the program is to attain its full potential. And the profit, of course, must be measured not in terms of gross return but net after costs -- administrative and paper work costs involved in operating the program.

Lending institutions were asked in the study questionnaire whether they considered the present maximum of six percent simple interest permitted on guaranteed loans a profitable, break-even, or loss rate (see Appendix). Responses by type of lender are shown in Table 23. These responses clearly demonstrate that very few large or small lenders find these loans profitable, that any substantial "break-even" experience occurs only for Savings and Loan Associations, Mutual Savings Banks and Credit Unions. Significant percentages of all lenders indicate a loss operation with large commercial bank responses showing a very high (85 percent) loss experience. A majority (54 percent) of smaller commercial banks report a similar loss experience. Variations in "break even" and "loss" responses doubtless reflect the fact that there are differences in tax advantages among the different types of lenders.

Interesting also, in considering return to lenders, are the reasons given for non-participation by some 400 not in the program. Ranking highest in frequency are those reasons relating to lack of profit -- "return too low," "too much paper work," or "terms too long." Commercial banks run about 50 percent ahead of all lenders in this category. The only other cluster of reasons of any significance were "no request" or "have other student loan arrangements," and here again commercial banks lead the field by a two-to-one margin.

Table 23

OPINION ON SIX PERCENT SIMPLE INTEREST RATE

	Profitable	Break-Even	Loss
Commercial banks			
Large	2%	13%	85%
Small	7	39	54
Mutual Savings banks			
Large	6	44	50
Small	16	57	27
Savings and Loan Associations			
Large	6	42	52
Small	10	80	10
Credit Unions	3	66	31
All Respondents	6	33	61

At the same time, responses to the Lending Institution Questionnaire (see Appendix and Table 16) indicate that commercial bank respondents have the highest percentage (65 percent) of participation in the program -- large banks recorded 80 percent; small banks, 54 percent participation.

When this subject was being discussed by the Advisory Committee the question was asked: If these loans are as unprofitable as so many commercial banks report, why is their participation over the country so high and the dollar volume of guaranteed loans by some banks so large? The lenders responded that they had gone into the program as a public service, relying in good faith on statements by federal officials that a procedure would be developed to provide them with an equitable return.

Several alternative procedures have, in fact, been given consideration by the U.S. Office of Education, such as granting the lenders tax exemption for the interest income from these guaranteed loans, increasing interest income to the lenders, and payment to the lender of loan fees either by the student or the Federal Government.

The study questionnaire asked lenders their opinion on each of these methods. Responses are shown in Table 24. Tax-exempt income was the method preferred by commercial banks and savings and loan associations, although raising interest rates was equally acceptable by commercial banks. The savings and loan associations also favored the government fee, as did the mutual savings banks.

Tax Exemption of Interest Income

Of all the alternatives, this is one of the most costly to the Federal Government and conversely most remunerative to lenders, particularly those in a less favorable tax position. Based on current U.S. Office of Education estimates of loan demand, the cumulative tax loss from the exemption at a marginal rate of 48 percent would amount to $388 million for fiscal years 1968 through 1972.

Additionally, the benefits of tax exemption would not be the same for all lenders, because of differences in their tax positions, making it a relatively ineffective device for encouraging broad participation of lenders. It also has the defect of establishing a precedent for much wider application.

Table 24

OPINIONS OF LENDING INSTITUTIONS ON METHODS OF INCREASING RETURN ON GUARANTEED LOANS

Question: "How favorable are you about each of the following potential methods of increasing the return to your institution on guaranteed student loans? (Please answer according to what you would like whether or not it is presently legal in your state.)"

Answers are in percentages of respondents who gave their opinions.

Method	Commercial banks		Mutual savings banks		Savings and loan associations		Credit Unions
	Large	Small	Large	Small	Large	Small	
Make Interest Income Tax-Exempt							
Very favorable	70%	66%	51%	49%	42%	56%	6%
Fairly favorable	17	12	5	18	29	22	0
Not favorable	9	15	26	22	19	22	53
Can't say	4	7	18	11	10	0	41
Raise the Interest Rate							
Very favorable	60	50	49	51	50	25	21
Fairly favorable	24	29	20	18	10	50	25
Not favorable	16	18	24	26	30	25	54
Can't say	0	3	7	5	10	0	0
Have Government Pay a Fee							
Very favorable	36	28	72	47	52	67	39
Fairly favorable	24	22	6	18	16	11	19
Not favorable	34	45	18	31	23	22	39
Can't say	6	5	4	4	9	0	3
Have Student Pay a Fee							
Very favorable	39	31	8	10	37	11	35
Fairly favorable	19	15	16	8	7	11	13
Not favorable	39	50	68	75	56	67	48
Can't say	3	4	8	7	0	11	4

Payment of Loan Fees

This method contemplates payment of a fee to the lender each time a loan is made and an additional fee at the time the loan is converted to payment status. Advantages are: (a) payment is received at, or about, the time the expense is incurred; (b) it recognizes that loan placement and conversion costs are approximately the same regardless of the amount of the loan; (c) placement fee could be set lower for subsequent loans to a single borrower in recognition of reduced costs on such loans; and (d) incentive for efficiency in lender operation could be provided by basing fees on a "reasonable cost" concept.

Direct payment of a fee by the student borrower, however, raises the same problem as an increase to him in the interest rate -- conflict with many state usury laws.

Payment of the fee by the Federal Government not only avoids this conflict but, under the proposed amendment authorising such payments, would involve a minimun of administrative costs both for the Federal Government and the lenders.

Increased Interest Rate

The rate could be increased either by raising the rate charged the student or by increasing the federal interest contribution without increasing the rate to the student.

Conflict with many state usury laws makes an increased rate to the student highly impractical. Furthermore, it would raise the difficult question of extending the higher rate to other loan programs, but this would not be a problem if the Federal Government bore the extra interest.

Payment of an increased interest rate by the Federal Government would seem to be the simplest plan to administer, assuming that Guaranteed Loans are restricted to loans of necessity, as recommended in this study. (This would eliminate the otherwise-sticky problem of additional interest payments on loans in the over $15,000 family income category, defined as loans of accommodation earlier in this chapter.) It is assumed that the rate could be set once or twice a year, say at one percent or one-and-one-half percent above the prime commercial rate. The government now pays interest periodically, so changing the rate would call for little extra effort. The alternative method of application and conversion fee requires handling as an extra payment. Setting an interest rate can be done easily, as it would be anchored to the prime commercial rate or some other standard.

Finally, it is estimated that an increased interest rate might possible cost the Federal Government less than a fee, but naturally that will depend upon the amount of the fee and interest increase.

Much of the talk during the last six months has assumed acquisition and conversion fees at $25. Based on the U.S. Office of Education projections of loan volume, the fees are estimated at a total of $70 million in 1970 and $115 million in 1973. In comparison with this, an increase of one percent in interest would represent $34 million in 1970 and $83 million in 1973.

The staff of this study is convinced that the lending institutions must secure a reasonable profit on Guaranteed Loans and that the burden of evidence indicates that six percent simple interest is not yielding a reasonable profit to most lending institutions. It recommends therefore that the return be set to yield a reasonable profit, the method and amount to be determined by financial experts.

H. SOURCES OF ADDITIONAL LOAN FUNDS

In this section four aspects of the sources of loan funds are discussed:

1. The need to project future demands.
2. The need to increase participation from the present potential sources of individual lending institutions.
3. The need to find new and supplementary sources.
4. The need to make loans available to those students now finding it difficult, if not impossible to obtain loans.

These factors are also discussed in the context of the Task Statement of this study, which follows federal policy in maximizing loans through private financial sources.

Projections of Future Demands

It is most difficult at this early stage in the life of the Higher Education and Vocational Guaranteed Loan Program to make estimates of the future demand for these loans. It was evident in the seven in-depth discussions with representative groups from state agencies, lending institutions, and colleges that little or no realistic forecasting of future demands for guaranteed loans had been made. This lack was also evident in other discussions and interviews.

If it had been possible to project future demands, some of the states now operating under direct federal insurance would have anticipated the situation and would not have permitted their reserve funds to run out.

Be that as it may, it is essential that a task force be assigned to identify all the elements involved in such forecasting, taking into consideration the number of student residents going to in-state and out-of-state institutions, the number going to public and private institutions, the projected increases in college-bound students, the family income levels involved, and other relevant factors. This kind of analysis should be referred to all states and they should be asked to prepare projections for the next five years.

Participation of Individual Lending Institutions

The huge bulk of loan funds under the Guaranteed Loan Program has been provided by the commercial banks. Several states in particular have done an outstanding job in gaining their support. The American Bankers Association has campaigned hard and long for the success of the program and has sent informative and encouraging material to every bank in the country.

Savings and loan associations, mutual savings banks, credit unions, and a few insurance companies are also participating. In some states, some of these have been kept from participating or limited in their participation by state laws. Some of them, particularly the large insurance companies and credit unions, have not participated because of the administrative and operating difficulties involved in writing agreements with each of the states and operating under varying sets of policies and procedures.

In January 1967, the United States Office of Education estimated that there were 59,000 eligible lending institutions -- but 17,000 of these were branches of commercial banks and branches of savings and loan associations, and 22,000 of these were credit unions, most of which were small in size.

In early February 1967, there were 12,700 lending institutions listed as participating. It should be explained that this figure includes over 1,500 lenders in California, hwere branch banking is statewide, and less than 500 in New York, where branch banking is restricted. As of the writing of this report, there are 16,000 to 17,000 lending institutions participating. This figure is helpful in showing a relative increase of 30 percent in eight months' time, but it does not show the degree of participation -- whether the lender handled two loans or 102 or 502 -- which is most important.

There is much more work to be done in securing the participation, new and increased, of the individual lending institutions with the states. Much of this can best be done by the states' agencies; some of it can best be done by the Federal Government. In the latter case, the objective is those institutions that are national in scope: the larger insurance companies, credit unions, and universities. These could be very important sources of additional loan funds if the United States Office of Education were enabled to enter into agreements with those larger insurance companies, credit unions, universities, and others who would commit themselves to designated minimum amounts of loan funds over a period of years.

The Need for New and Supplementary Sources

The United States Office of Education estimates that outstanding loans under the Higher Education and Vocational Education Guaranteed Loan Program will rise from $326 million at the end of fiscal year 1967 to $2.4 billion at the end of fiscal year 1969 and $9.2 billion at the end of fiscal year 1973. These figures are probably too high and will certainly be too high if financial need is required as a criterion, as is strongly recommended earlier in this chapter.

To try to put in perspective the $9.2 billion estimated for guaranteed loan for the end of fiscal year 1973, consumer credit at the present time is $75 billion -- but this turns over about once a year, whereas mortgage credit, at about $200 billion, turns over every seven years. It is impossible to say now what the turn-over of guaranteed loans may be, but with a stated repayment period ranging from five to 20 years, it may be realistic to expect the turn-over to approach an average of seven to nine years -- or something approaching the mortgage market. Using this approximation, the $9.2 billion of outstanding loans in 1973 could easily total $15 billion in 1978.

Expert opinion would need to testify whether $15 billion of student loans could be absorbed easily by individual lending institutions ten years from now. The figure is judged by this study to be too high, certainly if financial need is made a criterion of guaranteed loans.

In any case, however, it seems completely safe to assume that the individual lending institutions will not provide sufficient loan funds in the future in a number of states. Hence, there is a need for new and supplementary sources to be developed in those to provide sufficient funds. This has to be anticipated also for periods when the money market will be tight and lending institutions will feel unable to provide their share of the required student loans.

It has been enlightening and stimulating to learn what several states have done, or are planning to do, to provide loan funds, either supplementary to or in lieu of the credit supplied by individual lending institutions. The imaginative programs of Connecticut, District of Columbia, Georgia, Maine, Michigan, North Carolina, Pennsylvania, Texas, and Wisconsin include such methods as:

- State bond issues to provide loan funds.
- State bond issues to provide reserve funds as a basis for loan funds.
- The use of state investment funds for loan funds.
- Tax-exempt revenue bonds to provide loan funds, as well as reserve funds and administrative expenses.
- Statewide pooling of credit from banks and insurance companies to provide loan funds.
- The use of university funds to match state funds to provide reserves for loan funds.
- The exploration of the use of secondary markets for sale of students' notes.
- The payment by the state of additional interest to lending institutions.

The above list is evidence in support of the thesis that the states, not the Federal Government, can best supply most of the private credit funds for guaranteed student loans. These examples are shown also in support of the recommendation that all states should be advised of methods for providing new and supplementary sources of loan funds.

The Need to Make Loans Available When Needed

An earlier section of this chapter relates first-hand reports on areas in the country where it is difficult, if not impossible, for a student to obtain a Guaranteed Loan. To students and parents, loans are not available in many cases because many lending institutions do not participate in the Guaranteed Loan Program; some lending institutions will have already loaned up to an established maximum of educational loans; some lending institutions require an established account or relationship; or state residency requirements may make it difficult, if not impossible, for servicemen and others to qualify for loans. In a few states, the agency does not guarantee loans to residents attending out-of-state schools; students have to rely on the United Student Aid Funds, whose loan capacity is understandably limited in various states.

If the Guaranteed Loans are to assume a very important place in the financing of students' needs, they must be reasonably available to students in need. It is not enough to lean on the National Defense Student Loans to provide for those who cannot secure a Guaranteed Loan. The National Defense Student Loans can be counted on only to a limited extent. Moreover, to be successful the Guaranteed Loan Program must meet the test of reliability in the eyes of the student and of the college aid officer.

One way to help solve the problem of making loans available to all who need them would be for the state to set up a central service division to handle these special cases. The cases might be referred to various banks throughout the state. If warranted, it might be desirable to set up a central pool of credit, to be administered by the state loan agency, for these auxiliary purposes. This, too, is an evidence that the state should be able more easily than the Federal Government to solve particular problems.

In summary, it is recommended that:

1. A task force be assigned to identify all the elements involved in estimating future requirements of guaranteed loans, and that each state should be requested to prepare its projections for the next five years.

2. Along with greater efforts on the part of states to gain new and increased participation by individual lending institutions within the states, the United States Office of Education be enabled to enter into agreements with those larger nationwide insurance companies, credit unions, universities, and others who would commit themselves to designated minimum amounts of loan funds over a period of years.

3. States be advised of methods for providing new and supplementary sources of loan funds and encouraged to give them consideration in anticipation of greater demands for loans.

4. States be encouraged to set up a central service division and, where necessary, a central pool of credit to provide loan funds for those students who find it extremely difficult or impossible to obtain Guaranteed Loans.

J. OTHER FINDINGS AND RECOMMENDATIONS

This section deals with six remaining findings and recommendations affecting the Guaranteed Loan Program.

1. Eligibility of GLP Loans for Matching with Educational Opportunity Grants

Under the Higher Education Act (Section 402), a college must match an Educational Opportunity Grant award with the award to the student of an equal amount of aid provided by the institution or by any state or private scholarship program. At present, the Guaranteed Loan in almost all cases may not be used to match an Educational Opportunity Grant. The exceptions occur in Texas under the direct state loan plan, in certain instances in North Carolina, and under the USAF College Reserve Program, in which the college provides the reserve money.

Eligibility of guaranteed loans for such matching has been recommended by many financial aid officers in testimony before Congressional subcommittees and in interviews with the study staff. In a recent study of student financial aid in Massachusetts by the College Entrance Examination Board, the study staff found that a major reason for a low level of participation or failure to fully utilize Educational Opportunity Grant funds by an institution was a lack of matching capability. Institutions with limited scholarship programs had to rely entirely on their limited National Defense Student Loans as the matching component, a situation which proved difficult for the students. In fairness to the low-income-family student, all awards under student assistance programs should be eligible to match Educational Opportunity Grant awards, including Guaranteed Loans.

It is recommended that all Guaranteed Loans be eligible to match Educational Opportunity Grant awards. This is in line with two previous recommendations in this chapter: the setting of financial need as a criterion and the greater, and thus costlier, administrative involvement of the colleges and universities in the Guaranteed Loan Program. It is warranted also on the basis that it brings the Guaranteed Loans closer to (and makes them more compatible with and more interchangeable with) the other federal loan programs.

2. Occupational Forgiveness

The staff of this study recommends the elimination of the loan cancellation provisions for teachers under the National Defense Student Loan Program (see Chapter IV) and under the Cuban Loan Program (see Chapter VII), and for nurses under the Nursing Student Loan Program (see Chapter VI).

The Guaranteed Loan Program at present contains no cancellation or forgiveness features of any sort. In interviews with state loan agency personnel the one thing that most people (38 of the states) agreed about was that there should be no forgiveness features in the Guaranteed Loan Program. The reasons given were essentially that such forgiveness greatly complicates administration, is discriminatory, and tends to encourage a laxity in repayment obligations on the part of students.

The in-depth interviews with collegiate and lending institution representatives also encountered strong reaction against the inclusion of occupational forgiveness in the GLP. With present concern for the administrative costs and complexities of the program, lending institutions were especially vocal in their resistance to a program feature that would add further complications and expense. The process of cancellation would involve not only the amount outstanding, but also a refiguring of interest for each student involved. It was generally felt that expanded institutional grant programs, open to needy students regardless of fields of interest, were preferable to subsidizing selected professions partially through loan forgiveness.

Finally, in response to questions concerning the National Defense Student Loan Program, only 11 percent of all institutional respondents favored any extending of the cancellation provisions.

It is recommended that the forgiveness (or cancellation) concept not be extended to the Guaranteed Loan Program.

3. Maximum Borrowing

Included in Chapter X, "Uniformity of Provisions in Loan Programs," are three recommendations on maximum borrowing limits that affect Guaranteed Loans. The recommendations are: (a) the present limit of $1,500 per year for the graduate student should be increased to $2,500; (b) the aggregate borrowing for the graduate student should be increased from $7,500 to $10,000, including loans as an undergraduate; and (c) a new kind of limit should be set for the student who borrows under more than one federal loan program -- it would be the same limit recommended for each of the federal loan programs: for the undergraduate, $1,500 per year and $5,000 in the aggregate; for the graduate, $2,500 per year and $10,000 in the aggregate (including undergraduate borrowing).

4. Grace Period

In Chapter X there is a recommendation that the grace period before repayment of principal and interest be shortened to four months for all federal loan programs.

5. Deferments

In Chapter X four of the recommendations on deferments affect the Guaranteed Loan Program, as follows: (a) cancellation of interest during deferments for military service, the Peace Corps, and VISTA, (b) acceptance of full-time study as a reason for deferment in the case of the vocational student borrower, (c) cancellation of interest during deferment for full-time study outside the United States, and (d) allowance of deferment for uniformed service in the Public Health Service and the Coast and Geodetic Survey.

6. Procedural Matters

There are five minor matters, primarily procedural in nature, which should be mentioned here. The institutions of higher education were generally agreed that the proceeds of the loan should be sent to the student in care of the institution. They believe that this will assure use of the proceeds to pay educational expenses and that the temptation to make non-educational purchases will be reduced.

Second, they believe that the proceeds of the loans should be paid in two installments. The possibility that the student would make other use of the funds would be reduced if he did not receive half of the money until later in the year. This plan would also save a substantial amount in interest payments by the Federal Government. However, a required increase in the number of disbursements would add additional administrative costs for everyone involved.

Any nationwide program operated by different agencies, each serving their own student residents, presents major paper work problems. Standard forms should be designed for use in this program by all the various agencies. This task should be accomplished jointly by the U.S. Office of Education, the guarantee agencies, and the institutions of higher education. Within the limits of state autonomy, uniform policies should be instituted as an aid to all parties.

Implementation of standardized forms would help to resolve another problem experienced by institutions and students. With a multiplicity of forms, the student frequently has difficulty in locating those he requires -- particularly if he is attending an institution in a state other than his state of residence. Availability of forms in the colleges and universities (a step recommended by two-thirds of the lenders surveyed) would help to reduce this problem, and this availability can more readily be accomplished with standardized forms.

The college will be expected to complete promptly the semi-annual request for confirmation of student status. At the same time, colleges expect sufficient information to be provided to make student identification possible. Verification of enrollment should be made by either the U.S. Office of Education or the state agency but not by both, nor by individual lenders.

Implementation of these changes would increase the involvement of the colleges and universities in this process -- a step they believe is important and one that will improve the quality of administration of the program. The Federal Government has shown, in the past, its confidence in the institutions by involving them deeply in the administration of its other student aid programs. This pattern should be continued in the Guaranteed Loan Program.

K. THE NATIONAL VOCATIONAL STUDENT LOAN INSURANCE ACT OF 1965

The National Vocational Student Loan Insurance Act of 1965 became law October 22, 1965. It was designed, primarily, to extend to students in both public and proprietary vocational schools the benefits of the Insured Loan Program established by the Higher Education Act of 1965. An appropriation of $1,875,000 for "reserve fund" advances to the states was approved by Congress in May 1966.

It got off to a very slow start, mainly because of accrediting and eligibility problems and because the U. S. Office of Education and the states were engrossed in getting the much larger and more complex Guaranteed Loan Program off the ground.

Status of the Agreements

Operation of the program was initiated by disbursement of the federal advance for reserve funds to South Dakota on January 11, 1967. That state executed a guarantee agreement with the United Student Aid Funds, which had been administering its Guaranteed Loan Program. By the end of January 1967 disbursements had been made for 11 states and Puerto Rico. In nine of these states and Puerto Rico the program became operative under agreements entered into by the U. S. Office of Education with the United Student Aid Funds, which had also been administering the Guaranteed Loan Program in those jurisdictions.

The United Student Aid Funds had been authorized by its board of trustees to enter into guarantee agreements under this Act prior to its enactment, and it was therefore able to act promptly. On the other hand, ability to enter into such agreements required in many states new legislation, interpretation of existing laws, or legislative appropriation of funds to cover administrative costs. These problems, and determination of institutional eligibility, helped to deter implementation of the program.

By October 31, 1967, a total of 44 states and Puerto Rico had executed agreements under the Act. Fifteen of these operate the program for all residents through their own state agency. In Tennessee and Virginia the state agency administers the program for students attending schools in the state; United Student Aid Funds, for students out of the state. In the remainder of the 44 states and Puerto Rico, the United Student Aid Funds originally administered the full Vocational Student Loan Program, but two of these, Colorado and Nebraska (along with Vermont, which had its own state operating agency) have had loan demands beyond their reserve capacity and are as of October 31, 1967, under the direct federal insurance program.

In California, Georgia, Indiana, Louisiana, and Mississippi, as of October 31, 1967, there was no guarantee program for loans to vocational students. Connecticut, through its own agency, is guaranteeing vocational student loans backed by its state-appropriated reserve completely independent of the federal program.

Through December 26, 1967, a total of $899,431 in federal advances had been disbursed as reserves for these 45 programs -- or somewhat under half of the total appropriation of $1,875,000.

Volume of Loans

At the close of fiscal year 1967, 24 states had made loans guaranteed under the Vocational Student Loan Program. A total of 26 states and Puerto Rico had received a federal advance by that date, but in Alaska, New Mexico, and Puerto Rico the program had not gotten under way. Loans through that fiscal year, for a period that was less than six months in all 24 states, totalled only $740,324 to 1,143 borrowers (Table 25). In the next four months an additional 16 states had put the program into operation. This same period recorded an eightfold increase in the amount of loans to $6,116,098 and a sevenfold increase in the number of borrowers to 7,313. Included in both figures are the loans made under direct federal insurance.

Eligibility

A particularly knotty administrative problem has been the determination of institutional eligibility. The statutory requirement of accreditation by a nationally recognized accrediting agency or association has, for all intents and purposes, been a substantial factor in restricting operation of the program during the months of the study, therefore restricting the scope of the study. The U. S. Office of Education had to spend untold months in assorting the thousands of vocational and trade schools. For proprietary schools there were only two recognized accrediting groups, for business schools and correspondence schools. Another complication was that in the same school only one or two of its programs might be approved, and the rest might not be approved.

(Text continued on page VIII-47)

Table 25

STATUS OF GUARANTEED VOCATIONAL LOAN PROGRAM
Inception - October 31, 1967

State	Date Reserve Funds Disbursed	From Inception thru June 30, 1967		July 1, 1967 to October 31, 1967	
		Number of Loans	Amount of Loans	Number of Loans	Amount of Loans
STATE GUARANTEE AGENCY					
Arkansas	3/24/67	11	$ 7,378	54	$ 37,437
California[1]				0	0
Connecticut[2]				230	301,677
Georgia[1]				0	0
Illinois	7/24/67			430	403,300
Indiana[1]				0	0
Louisiana[1]				0	0
Massachusetts	8/ 7/67			878	793,135
Michigan	8/24/67			51	45,402
New Hampshire	7/27/67			104	95,140
New Jersey	7/20/67			40	36,110
New York	8/ 1/67			2,322	1,928,785
North Carolina	8/10/67	32	7,100	188	101,470
Ohio	9/ 5/67			0	0
Oklahoma	1/20/67	75	70,910	144	132,057
Oregon	10/13/67			14	11,321
Pennsylvania	10/10/67			0	0
Rhode Island	8/ 7/67			74	72,775
Tennessee[3]	6/26/67			174	160,570
Vermont[4]	6/21/67			138	129,179
Virginia[3]	4/ 7/67	1	500	17	14,775
Wisconsin	9/ 5/67	294	127,820	262	144,700
SUBTOTAL		413	$213,708	5,120	$4,407,833
USOE CONTRACT WITH USAF					
Alaska	3/ 2/67			0	0
Arizona	1/19/67	109	30,710	68	44,067
Colorado[4]	1/19/67	147	136,851	47	46,500
D.C.				0	0
Idaho	1/20/67	3	2,725	14	12,375
Kansas	1/19/67	110	87,143	149	128,766
Minnesota	1/19/67	48	32,239	116	86,608
Missouri	3/ 2/67	38	28,695	86	66,133
Montana	1/19/67	17	12,645	32	17,786
Nebraska[4]	1/19/67	75	59,375	87	72,265
Nevada	1/19/67	2	1,745	3	2,120
North Dakota	3/ 2/67	15	13,785	58	46,653
South Carolina	1/19/67	3	2,634	30	18,449
Washington	3/ 2/67	3	3,000	25	22,860
West Virginia	2/ 8/67	36	29,780	110	86,875
Wyoming	1/19/67	16	16,000	5	4,565
Puerto Rico	1/19/67			0	0
Virgin Islands				0	0
SUBTOTAL		622	$457,327	830	$656,022

State	Date Reserve Funds Disbursed	From Inception thru June 30, 1967		July 1, 1967 to October 31, 1967	
		Number of Loans	Amount of Loans	Number of Loans	Amount of Loans
STATE CONTRACT WITH USAF					
Alabama	4/10/67	16	$ 8,253	82	$ 59,605
Delaware	9/11/67			0	0
Florida	9/25/67			0	0
Hawaii	4/18/67	20	17,047	82	66,442
Iowa	7/19/67			43	36,196
Kentucky	9/25/67			119	88,724
Maine	9/19/67			30	27,024
Maryland	7/24/67			59	52,823
Mississippi(1)				0	0
New Mexico	5/ 2/67			39	25,404
South Dakota	1/11/67	17	14,469	101	77,813
Texas	4/11/67	2	1,375	189	131,543
Utah	2/18/67	53	28,145	109	64,657
SUBTOTAL		108	$ 69,289	853	$ 630,231
TOTAL		1,143	$740,324	6,803	$5,694,086

(1) Program not in operation as of October 31, 1967.
(2) Reserve Funds provided by state appropriation; no federal funds advanced.
(3) Loans to vocational students attending out-of-state schools administered by USAF.
(4) Under direct federal insurance effective: Colorado, August 28, 1967; Nebraska, October 18, 1967; Vermont, September 11, 1967. A total of $472,012 loaned to 510 borrowers.

Source: Insured Loans Branch, Division of Student Financial Aid, U.S. Office of Education.

Responses to Questionnaires

At the time the sample of institutions was being drawn for the survey questionnaire to be mailed on August 11, 1967, the U. S. Office of Education lists of eligible institutions in the 11 states surveyed showed public and private non-profit schools far outnumbering proprietary schools. (See "Procedure" in Vocational School Questionnaire, Appendix.) Proprietary schools surveyed were predominately business schools, and the private, non-profit schools were predominately for X-ray technology. Of the 160 respondents to the questionnaire slightly less than 40 percent were from private, non-profit schools. Responses from proprietary schools constituted about 25 percent of the total. Responses from public vocational schools were high in number, but these schools were less involved in loan programs, understandably, because of their minimal attendance costs.

The greatest degree of involvement in loan activities is reported by the proprietary schools: 69 percent of the respondents maintain regular student loan contacts, and 93 percent of these have one or more banks to which they can recommend students seeking loans. These figures compare with 25 percent of the public and 15 percent of the private, non-profit schools that maintain regular student loan contacts. Fifty-seven percent of the proprietary schools recommend the amount of the loan to the bank "in most cases," and 90 percent reported their recommendation was followed by the bank "in most cases." Eighty-nine percent of the private, non-profit schools and 70 percent of the public schools made no recommendations on the amount of loan to the lenders.

There is more agreement that the school should specify to the lender the maximum amount of the loan if the student has financial need. Fifty-eight percent of the proprietary schools and fifty-nine percent of the public schools answered "yes, definitely" or "yes, probably," and 33 percent of the private, non-profit schools were in accord. There is even more agreement that the $1,000 annual loan limit is "about right": 70 percent of public, 72 percent of proprietary, and 75 percent of private, non-profit schools. Students who had "considerable trouble" in getting guaranteed loans were part-time students, 27 percent of the proprietary schools reported. Twenty-three percent of the same schools said that students who were not known at the bank had considerable trouble; 33 percent of the public schools agreed.

Proposed Merger with the Loan Program under the Higher Education Act of 1965

Legislation is pending to merge the insured loan program under the Higher Education Act with the loan program under the Vocational Student Loan Insurance Act. This would make administration much more simple. Among the benefits would be consolidation of record keeping for lenders, guarantee agencies, and the Federal Government; a single billing by the lender for the interest subsidy; and more uniform operational procedures.

Amendments affecting the merger have been commendably drawn to preserve those features of each loan program which are uniquely adapted to the segment it serves.

It is the conclusion of the study staff and the consensus of the Advisory Committee that the advantages of combining the two programs outweigh any disadvantages. It is recognized that there are procedural problems still to be solved in the operation of the Vocational Student Loan Program, but these must and will be resolved whether the programs are combined or kept separate, and the merging will not work to the detriment of their solution.

It is recommended that the proposed merger of the Vocational Student Loan Insurance Act of 1965 with Title IV, Part B of the Higher Education Act of 1965 -- Federal, State, and Private Programs of Low-Interest Insured Loans to Students in Institutions of Higher Education -- be enacted.

IX. THE REVOLVING FUND

FOR THE FINANCING OF FEDERAL LOANS

The Federal Government is seeking to use as much private credit as possible for financing student loan programs. One of the procedures for tapping private credit developed by the government is the Revolving Fund, adopted for both the Health Professions and Nursing Student Loan programs, effective in 1967-68.

Last year legislation was proposed to make this procedure available for the funding of part of the National Defense Student Loan Program. It was not enacted in 1966 and was reintroduced in 1967.

The revolving Fund procedure is brought into being by an initial appropriation by Congress which provides its capital. The college, university, or professional or nursing school borrows from the Revolving Fund monies for loans to its students. Their notes, representing these borrowings, are eligible for inclusion in the "pool" against which the Federal National Mortgage Association (FNMA) is authorized to issue participation certificates. The proceeds of the sale of these certificates are used to reimburse the Revolving Fund.

The institution makes the loans, administers them, and uses the repayments from the students to pay off its original note. The student pays no interest during his period of study and pays the "going federal rate" (in the case of Health Professions and Nursing Loans) during the repayment period. Interest on the institution's note is paid out of the Revolving Fund. Principal and interest payments on student loans are paid into the Fund. Defaults in repayment of principal are borne 90 percent by the Revolving Fund and ten percent by the institution.

The pros and cons of the Revolving Fund procedure are:

1. The Federal Government makes use of private credit instead of direct Congressional appropriation.

2. Under the plan, an institution does not need to put up ten percent matching funds (although the institution is still liable for ten percent of defaults of principal).

3. Assuming timely financing by FNMA, funds are made available to institutions much earlier than by annual Congressional appropriation; hence institutions can make timely commitments to their students.

4. More funds may possibly be made available than by direct Congressional appropriation.

5. The procedure is more cumbersome for the institution; it calls for periodic repayments and separate bookkeeping. Some public institutions do not have the authority to borrow, so they cannot at present avail themselves of the procedure. Some institutions are willing to pledge the students' loans against their borrowing but are reluctant to pledge the full faith and credit of their institutions.

Schools participating in the Health Professions or Nursing Student Loan programs may, at their option, secure loan funds either through the Revolving Fund procedure or by matching the Federal Capital Contribution, or both. In this first year of its operation (fiscal year 1968) actual borrowings by the institutions of $16 million have already exhausted amounts appropriated for the Revolving Fund. Of the total of 641 schools participating this fiscal year in the Nursing Student Loan Program, 252 (39 percent) have elected Revolving Fund procedure, and 22 of these also used Federal Capital Contributions. Of the 217 Health Professions schools participating in the program this year, 87 (40 percent) are under the Revolving Fund procedure, and five of these will also use Federal Capital Contributions. The estimate is that in each category, Nursing and Health Professions, the Revolving Fund participants are divided approximately equally between private and public institutions.

The staff of this study believes that the Revolving Fund should be developed into a completely feasible and acceptable tool, not only for use with the Health Professions and Nursing Student Loan programs but also for the National Defense Student Loan Program. It has not made a comprehensive review of the strengths and weaknesses of the Revolving Fund as a new procedure for student loan financing. Nor has it gathered together college and university officials to determine the acceptability of this procedure to their institutions and to determine what improvements, if any, can be suggested. It is recommended that the U.S. Office of Education sponsor regional meetings of college and university officials for these purposes.

This recommendation stems from the belief that the demand for student loans will continue to increase substantially in the foreseeable future and that probably no one procedure will fill all the needs. Several sources should be made fully operable. Even with the Guaranteed Loan Program providing additional funds on an increasingly larger scale, the institutions of higher education, health professions, and nursing should have loan funds in hand during the foreseeable future over which they have control -- funds upon which they can depend so that they may make firm commitments to students.

Direct federal appropriations and the Revolving Fund can supply that need for reliable funds in hand. To ease the strain of direct federal appropriations and to further the government's policy of maximizing the use of private credit for the financing of student loan programs, it is essential that the Revolving Fund be developed into a completely feasible and acceptable tool. For these reasons it is recommended that the U.S. Office of Education sponsor regional meetings of college and university officials to determine what additional factors, if any, should be considered and developed to make the Revolving Fund acceptably operable for all three loan programs.

X. UNIFORMITY OF PROVISIONS IN LOAN PROGRAMS

This chapter is devoted to ten provisions which are written into only one or more of the loan programs but which, it would seem, should be uniform for most or all of the loan programs. The programs are all directed to a common goal of student aid. Therefore, it should be expected that a provision which is reasonable and desirable for one loan program should be made a provision of other loan programs, unless there is a reason for not doing so.

A. MAXIMUM AMOUNT OF LOANS

Increasing concern about the size of the debts being incurred by college students has been expressed by educators, bankers, parents, students, and members of the Congress. The Advisory Committee appreciated the dilemma of trying to set maximums in an area which is unknown and where obvious factors such as potential earnings, career plans and other financial obligations vary so widely. The Advisory Committee agreed that it would be helpful to have an economic and social analysis made of the impact of borrowing, including a determination of what might be considered reasonable maximum student indebtedness. In Chapter IV it was mentioned that there will be an addendum to this report covering a pilot study of the attitudes of student borrowers which may be helpful to the consideration of a large-scale study.(1)

It may be expected in the day-to-day operations of the loan programs that officers of colleges and of lending institutions will continue to exercise good judgment in setting limits on the borrowing of individual students with whom they are counselling. The average loans made so far and the cumulative loan totals would suggest that very few students are approaching the maximum limits permitted by law. Average loans to students are increasing in amount, however, as loans become more necessary to finance higher education. Also, students are more mobile and often transfer to other institutions. It becomes more important, therefore, for the government to set reasonable, realistic limits for borrowing.

The present maximum amounts of borrowing under the several loan programs for an academic year or equivalent and for an entire period of study are listed in Table 26.

Table 26
SPECIFIED MAXIMUM AMOUNTS OF BORROWING

Loan Program	Undergraduate Annual	Undergraduate Total	Graduate Annual	Total allowable for all study
National Defense	$1,000	$5,000	$2,500	$10,000
Guaranteed Loans				
Higher Education	1,500(2)	5,000(1)	1,500(2)	7,500(1)
Vocational	1,000(1)	2,000(1)	-	2,000(1)
Health Professions	-	-	2,500	No limit
Nursing	1,000	No limit	1,000	No limit
Cuban	1,000	5,000	2,500	10,000

(1) Limit of direct federal insurance program, but optional with state plans.
(2) Limit may range from $1,000 to $1,500 at the option of state plans.

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(1) The results of the pilot study on the impact of borrowing on students have been appended as Chapter XII of this report.

Undergraduate Study

As shown in Table 26, the maximum loan to an undergraduate in any academic year is $1,000 in all programs -- except that up to $1,500 may be provided at the option of state plans under the Guaranteed Loan Program (GLP) for higher education. The maximum total borrowing for an undergraduate under the National Defense, GLP for higher education, and Cuban loan programs is $5,000. No total limitation is specified under the Nursing program. The Vocational loan program has an annual limit of $1,000 and a total limit of $2,000. No limitation has been imposed on total borrowings by a student from any combination of loans under these programs.

The study's questionnaires asked opinions as to the maximum amount an undergraduate should be allowed to borrow from all sources (excluding temporary short-term loans) by the end of four years of college. Interestingly enough, the institutions of higher education and the lending institutions disagreed only in the extremes: 61 percent of the college respondents and 59 percent of the lenders said that the $4,000 or $5,000 maximum was desirable. Institutions of higher education supported a maximum at $3,000 or less to the extent of 27 percent; the lenders, only ten percent. The situation was reversed, of course, at a maximum of $6,000 or more: only 12 percent of colleges expressed that opinion, while the lenders voiced a strong 31 percent.

Opinions on Maximum Borrowing for Undergraduates

	Institutions of Higher Education	Lenders
$3,000 or less	27%	10%
4,000	37	31
5,000	24	28
6,000 or more	12	31

During the course of this study, the staff has been impressed by the need for an increase in the maximum amount that an undergraduate student may borrow during the course of a given academic year. It recommended, therefore, that this maximum be increased to $1,500 in order to provide the financial aid officer with the flexibility to award a larger loan to students who encounter unexpected expenses during a particular year of college study. The Advisory Committee took this under consideration and arrived at a strong consensus in favor of the increase. The committee also suggested some increase in the maximum allowable for all undergraduate study.

The nursing schools were questioned about the maximum amount per year for the undergraduate (there is no limit set for total undergraduate nursing study). The answers were supposed to be a net amount after potential cancellation of 50 percent for nursing service. However, it seems probable that an indeterminate number of the answers apparently disregarded the cancellation feature. With this qualification, the opinions as expressed are shown below.

Opinions from Nursing Schools on
Maximum Loan per Year for Undergraduates

$ 750 or less	19%
1,000	43
1,250 - 1,500	24
2,000 or more	14

The vocational schools were also questioned about the maximum limits. They replied as follows.

	Private		
	Proprietary	Non-Profit	Public
The $1,000 yearly limit is:			
Too low	28%	19%	20%
About right	72	75	70
Too high	0	6	10
The $2,000 total limit is:			
Too low	13	27	16
About right	74	53	62
Too high	13	20	22

At the present time, by borrowing under two federal programs, the undergraduate may borrow $2,500 in any academic year and $10,000 during his entire undergraduate study. In line with our previous recommendations that the Guaranteed Loan Program require financial need as a criterion and that the colleges play the role of recommending the amount of the loan -- in other words, that the GLP be considered as a part of the packaging of aid done by the college officer -- it is believed that there should be set for the undergraduate who borrows under more than one federal loan program the same borrowing limit of $1,500 per year and $5,000 over the entire undergraduate period as is recommended for an individual loan program.

This study's recommendations on undergraduate borrowing are as follows.

1. The vocational school limits of $1,000 per year and $2,000 in the aggregate should be continued as is.

2. The annual maximum should be set at $1,500. This amount is now permissible at the option of state plans under the Guaranteed Loan Program, but it means an increase from $1,000 for the National Defense, Nursing, and Cuban programs.

3. The total maximum for the undergraduate should be continued at $5,000 under the National Defense, Guaranteed Loan, and Cuban programs and should be set at that figure for the Nursing program, in which no limit presently exists.

4. There should be a new kind of limit set for an undergraduate who borrows under more than one federal or federally-assisted loan program. This limit should be same as proposed under each of the individual loan programs: $1,500 per year and $5,000 in the aggregate.

Graduate Study

As shown in Table 26, the maximum loan for graduate study in any academic year ranges from $1,000 in Nursing and $1,500 in the GLP for higher education to $2,500 in the National Defense, Health Professions, and Cuban programs. The maximum total for a graduate student (including undergraduate study) is $7,500 under the GLP for higher education and $10,000 for the National Defense and Cuban programs. No total limitation is specified under the Health Professions and Nursing programs.

The stud 's questionnaires asked opinions as to the maximum amount a graduate student should be allowed to borrow from all sources by the time he reaches the Ph.D. or Law degree level (excluding temporary short-term loans, but including undergraduate loans). The responses are shown below.

Opinions on Graduate and Total Borrowing Limits

	Institutions of Higher Education	Lenders	Health Professions
$ 6,000 or less	37%	23%	15%
7,500	33	41	11
10,000	24	25	51
12,000 or more	6	11	23

The institutions of higher education and the lenders held somewhat similar opinions on a total limit for all borrowing at $7,500 or less: 70 percent in the case of the former and 64 percent of the latter. Half of the health professions respondents favored the $10,000 maximum, and the other half was rather evenly divided between "$7,500 or less" and "$12,000 or more."

In line with the belief that the annual limit should be set at $1,500 for all undergraduates, this study believes that the annual limit of $2,500 for graduate study now provided in the National Defense, Health Professions, and Cuban programs should be extended to the Guaranteed Loan Program (now $1,500) and Nursing (now $1,000). Also, the total borrowing limit of $10,000 now provided in the National Defense and Cuban programs should be extended to the Guaranteed Loan Program (now $7,500) and to the Health Professions and Nursing programs, both of which have no specified limits.

The above statement on setting a limit of $10,000 does not coincide with the majority opinion of the universities and lenders, who favored $7,500 or less. The $10,000 would seem to be more in line, however, with the undergraduate limitation of $5,000 and the allowance of $2,500 per year for graduate study. Moreover, the $10,000 limit would seem to be a necessity for those who must undergo a long period of training but who may therefore expect substantial earnings. Among the Health Professions respondents, 51 percent favored $10,000; 23 percent, $12,000 or more. This might well be true also of lawyers, physicists, chemists, and others in relatively higher-income careers.

It was mentioned earlier in this section that an undergraduate may borrow rather large sums by borrowing under two federal programs. In the same way, a graduate student may possibly borrow $4,000 in a year and $17,500 through a combination of the National Defense and Guaranteed Loan programs. In fact, a medical student who used all programs open to him to the maximum could accumulate a total of $22,500 in indebtedness during his eight years of study ($5,000 National Defense; $7,500 GLP; and $10,000 Health Professions). In the interest of fairness and to protect the government's loan funds, it is believed that a graduate student borrowing under more than one federal loan program should be subject to the same limits proposed for each of the individual federal programs: $2,500 per year and $10,000 total allowable for all study, including undergraduate work.

This study's recommendations on graduate and total borrowing are as follows.

1. The annual borrowing maximum should be continued at $2,500 under the National Defense, Health Professions, and Cuban programs and should be extended to the GLP (now $1,500) and Nursing program (now $1,000).

2. The total borrowing for all undergraduate, graduate, and professional study should be continued at $10,000 for the National Defense and Cuban programs and should be extended to the GLP (now $7,500) and to the Health Professions and Nursing programs, both of which have no specified limits.

3. There should be a new kind of limit set for a graduate student who borrows under more than one federal or federally-assisted loan program. This limit should be the same as proposed under each of the individual loan programs: $2,500 per year and $10,000 in the aggregate.

In addition to the previous recommendations covering undergraduates and the above concerning graduate and total indebtedness, it is recommended that an economic, educational and social analysis of the impact of borrowing be undertaken by the institutions of higher education and their associations, with the assistance of the U.S. Office of Education, to determine what might be considered reasonable maximum student indebtedness. It is hoped that the pilot study under this contract of the attitudes of student borrowers may help to determine the direction and scope of a large-scale study.

B. AVAILABILITY TO HALF-TIME STUDENTS

At present, students pursuing studies at least half time in an approved program are eligible for National Defense Loans and for Guaranteed Loans in the case of direct federal insurance and, optionally, under the state plans of the GLP. The other three loan programs -- Health Professions, Nursing, and Cuban -- are restricted to full-time students.

Some nursing students, particularly those who receive their basic nursing education in diploma or associate degree programs are unable to attend college full time for their advanced training. Loans for half-time study could serve to stimulate nurses to pursue baccalaureate and graduate degrees.

There seems to be some good reason for giving aid, and no good reason for denying it, in the form of loans to bona fide half-time students. It is therefore recommended that they be made eligible under the Health Professions, Nursing, and Cuban programs, with proportionately lower annual limits of borrowing.

C. INTEREST PAYMENT DURING PAY-OUT PERIOD

After completion of study, a student pays interest of three percent on the unpaid principal of his loans under all federal programs except Health Professions and Nursing. In the latter two programs, the student pays the "going federal rate" at the time his first loan is made. The "going federal rate," established annually by the United States treasurer at the beginning of each new fiscal year, was 4 1/4 percent in fiscal years 1965 and 1966, 4 5/8 percent in fiscal year 1967, and 4 3/4 percent in fiscal year 1968.

Not only is this arrangement impractical -- the institutions will be dealing with three, six, or nine different interest rates to figure on loans in the repayment stage -- but it is also fundamentally inequitable. It is indefensible to charge a lawyer, chemist, or graduate physicist three percent and a registered nurse 4 5/8 percent. Therefore, it is recommended that the students' interest payments during pay-out period be made uniform for all federal programs.

D. REMOVAL OF INTEREST SUBSIDY DURING PAY-OUT PERIOD

During the course of the study more than a dozen group discussions included the question of federal subsidization of interest on loans. There were some who felt that the government had gone too far in subsidization. The same ones and others pointed out that before the introduction of the Guaranteed Loan Program their state plans bore interest. In at least a half-dozen of the group discussions there was a strong feeling that requiring a student to pay full interest during the pay-out period would help the federal loan programs in at least two respects: (1) it would remove some of the aura of a "federal handout" program and make the student more appreciative of the obligation, and (2) it would act as an incentive for more prompt repayment instead of being among the last of the debts to be repaid; promptness, in turn, would increase loan funds available and lessen delinquency and perhaps default in repayment.

Removing the three percent interest subsidy during pay-out period would save the Federal Government about $11 million in 1970 and $56 million in 1973 under the Guaranteed Loan projections shown in Table 5 in Chapter IV. The other loan programs would probably account for another $30 million in additional interest received from students in 1973 -- altogether, a "savings" of $80 to $90 million in 1973.

Requiring a student to pay six percent interest instead of three percent during the pay-out period would mean an additional cost to the student of about eight percent of total indebtedness spread over a five-year repayment period (quarterly payments) and 15 percent spread over the maximum ten-year repayment period.

As a secondary benefit of removing the three percent interest subsidy, the administrative difficulties of the lending institutions under the Guaranteed Loan Program would lessen. This would relieve lenders of billing both the government and the student for three percent each, during the pay-out period.

On the other hand, it was argued that since most of these loans are made to students from lower-income families on the basis of financial need, the imposition of a higher interest would add unduly to their burden even though they might be gainfully employed. It was pointed out that there is a correlation between students from low-income families and low-income wage earners.

In the Advisory Committee and other group discussions there was no clear consensus on this question. No straw votes were taken. If the staff hazarded an opinion, it would be that something more than a simple majority of all of the groups would not object to the removal of the interest subsidy during the pay-out period. However, there was not a sufficiently strong case made to warrant recommending the removal of the subsidy. The discussion is offered here for possible further consideration in the future.

E. DEFERMENT OF REPAYMENTS

Provisions for deferment of repayment of principal and interest vary rather widely and are without consistency in the several loan programs. The Advisory Committee, in considering this matter, felt generally that the problem of deferment should be considered as a whole for all federal loan programs because of the large number of borrowers affected. Their consensus was that the deferments should be continued for all the federal loan programs and should remain optional under the state plans. It is recommended that in general the deferment provisions of the National Defense Student Loan Program (NDSLP) be extended to the other programs, except for one provision. Specifically, this would mean:

1. In the case of a student pursuing less than half-time study, the NDSLP permits deferment of repayment of principal at the option of the lending institution, but the student pays three percent interest. The study staff believes this is but one more complicating factor in a program already over-generous with deferments, and recommends that it not be extended to other loan programs and that it be removed from the NDSLP.

2. The NDSLP and the Cuban Refugee Loan Program defer repayment of principal and do not charge interest for any period not in excess of three years during which a borrower is on active duty in a military service, in the service as a volunteer in the Peace Corps, or in service as a volunteer under Section 603 of the Economic Opportunity Act of 1964 (VISTA).

    a. It is recommended that this provision be extended to the Nursing Student Loan Program.

    b. It is recommended that deferment for service in VISTA be estended to the Health Professions Loan Program. (Health Professions program presently defers for uniformed service and for Peace Corps.)

c. The above provision is now available under direct federal insurance of the Guaranteed Loan Program (for institutions of higher education and the Vocational Loan Program) and optional with the state plans of the GLP, but interest of three percent starts accruing after the grace period. It is recommended that the GLP not charge interest to the student during the deferment of principal repayment.

3. The NDSLP and GLP for higher education (not Vocational) defer repayment of principal and interest for the borrower pursuing half-time study. Earlier it has been recommended that half-time students be made eligible under the Health Professions, Nursing, and Cuban loan programs. Whether this recommendation is adopted or not, it is recommended that half-time study be accepted as reason for deferment of principal and interest in these three loan programs.

4. Pursuing full-time study is accepted as a reason for deferment or repayment in five of the programs, but not in the Vocational Student Loan Program. It is recommended that this discrimination against the Vocational Student Loan borrower be removed.

5. The GLP for both higher education and vocational students (optional for state plans) permits deferment of principal, but with interest accruing, for the borrower who pursues full-time study outside the United States. It is recommended that in these cases the student not pay interest during deferment and that, further, full-time study be defined under all the loan programs as including study under approved programs inside and outside of the country.

6. The Health Professions Student Loan Program does not provide for deferment for internship or residency and permits instead a grace period of three years after completion of formal study. These provisions fail to take into consideration that internship and residency take from two to five or more years, and that some students withdraw from formal study.

   a. It is being recommended below that the long grace period for Health Professions Student Loans be modified and put on the same basis as other loan programs.

   b. It is recommended here that internship and residency be considered as full-time training and study and made eligible for deferment of repayment.

7. The Health Professions program defers repayment for service in other uniformed services, such as the Public Health Service and the Coast and Geodetic Survey. It would seem desirable to extend this deferment to all the other loan programs.

F. REPAYMENT AND GRACE PERIODS

Sixty percent of the lending institution respondents to a questionnaire stated that the ten-year repayment period was excessive. The savings banks, savings and loan associations, and credit unions were divided in their opinion: a majority of them believed that the ten-year period was not excessive. However, 72 percent of the large commercial banks and 64 percent of the small commercial banks thought it was excessive. The rather recent introduction of minimum monthly payments has in effect reduced the repayment period for smaller loans. The Advisory Committee agreed generally that the payment periods seemed reasonable.

The grace period before the repayment period starts varies as follows.

National Defense Student Loan Program	9 months
Guaranteed Loan Program (Institutions of Higher Education and Vocational)	9-12 months
Nursing Student Loan Program and Cuban Refugee Loan Program	12 months
Health Professions Student Loan Program	3 years

The lending institutions were rather evenly divided on the question of a ten-month grace period. Fifty-two percent did not think it excessive, and 46 percent (including 60 percent of large commercial banks) did think it excessive.

It has been argued that a long grace period is not necessary. A grace period is an extension of time during which no interest is charged and in which no repayments are required. It does not mean that a payment of principal is immediately required. It sets the time at which interest begins to accrue and before which definite arrangements for payment of principal and interest must be established.

The Advisory Committee agreed in general with those of the banking community who stated that a grace period of nine to ten months was excessive. Some of the bankers felt that there was a direct relationship between the length of the period before the first payment is due and the rate of delinquency. Other points made at the Advisory Committee meeting were that a longer grace period could add to the difficulty in locating students and would further delay the turn-over of loan funds already committed for long periods of time through deferments and generous repayment provisions.

It has been pointed out in the previous section that the three-year grace period in the Health Professions program did not take into consideration that internship and residency take from two to five or more years, and that some students withdraw from formal study and should not have a lengthy grace period. It was recommended that internship and residency should be handled as regular deferments. This would permit the grace period for Health Professions to be the same as the other loan programs.

After general agreement on the desirability of reducing the grace period, consideration was given to a three-month grace period. It was realized, however, that this would cause the initial billing workload to conflict with the fall registration and enrollment period.

For all of these reasons, the study staff recommends that the grace period be shortened to four months for all federal loan programs.

G. REIMBURSEMENT FOR ADMINISTRATIVE EXPENSES

At present the National Defense Student Loan Program is the only loan program which reimburses the institution for some of the administrative expenses incurred in record keeping, reporting, collection of principal and interest, and the general administration of the loan fund. It is recommended that provision be made for similar reimbursement to the institutions participating in the Health Professions and Nursing loan programs. This recommendation is not extended, however, to the Cuban Refugee Loan Program, as long as the U.S. Office of Education does the record keeping and collection of principal and interest on these loans.

At a meeting of the Advisory Committee, discussion of administrative expense reimbursement was extended to the Guaranteed Loan Program. It was pointed out that the expansion of the program was causing, and would continue to cause, increased college activity and expense. Furthermore, if the recommendations of this report are adopted, financial need will become the criterion of eligibility for a Guaranteed Loan, and the colleges will become more closely involved as responsible for recommending a loan and its amount -- and college administrative costs will increase accordingly. The Advisory Committee reached a consensus that this matter should be referred to in this report as an upcoming problem, but without any recommendation as to reimbursement formula at this time.

The subject of reimbursement for administrative expenses is further discussed under the subject of collection of loans in Chapter IV. It is recommended there that the formula for reimbursement to institutions be changed and that an incentive reimbursement procedure be established in an attempt to improve delinquency and default rates.

H. CANCELLATION BECAUSE OF DEATH OR DISABILITY

Under the National Defense, Health Professions, and Nursing loan programs, the Federal Government puts up 90 percent of the loan funds; and the institution, ten percent. All three programs provide for cancellation of the debt in the case of death or permanent and total disability. In the case of the Health Professions and Nursing programs, however, the institution is reimbursed for its ten percent share in the case of cancellation for these two reasons. But not so under National Defense Student Loan Program; the institution bears its ten percent of the cancellation for these two reasons. Inasmuch as the loan funds are considered a partnership between the government and the institutions, it is recommended that the provision under Health Professions and Nursing loan programs for reimbursing the institutional share of such cancellations be discontinued.

J. CANCELLATION BECAUSE OF BANKRUPTCY

At present, only the National Defense Student Loan Program recognizes bankruptcy as a reason for cancellation of loans. Inasmuch as this is a valid reason for cancellation, it is recommended that it be extended to the other federal loan programs and that the institutions absorb their proportionate share of the cancellation loss as in the case of the NDSLP.

K. LATE PAYMENT CHARGES

The optional provision of assessing late payment charges against student borrowers is included only under the National Defense Student Loan Program. Because every reasonable means of encouraging prompt payment on the part of student borrowers should be made available to institutions, it is recommended that this option be extended to the Health Professions and Nursing loan programs.

XI. CENTRAL ADMINISTRATION OF ALL FEDERAL LOAN PROGRAMS

At the present time, four of the federal loan programs are administered by the Division of Student Financial Aid, Bureau of Higher Education, United States Office of Education. These are the National Defense, Guaranteed, Vocational, and Cuban loan programs. The other two federal loan programs, Health Professions and Nursing, are administered by the Division of Health Manpower Educational Services, Public Health Service.

The staff of this study has attempted to identify and assess the advantages and disadvantages of centrally administering all six federal loan programs in order to determine whether the advantages outweigh the disadvantages.

On the one hand it may be said that the present system of divided administration should be continued for the following reasons.

1. The Public Health Service (PHS) deals with medical, dental, and nursing schools on several different fronts, such as facilities, training, and scholarships, as well as loans. Its familiarity with the entire picture facilitates an inter-relationship of the various programs that is beneficial both to participating schools and federal program objectives.

2. Health Professions and Nursing education are specialized fields with somewhat different needs and requirements. The medical, dental, and nursing schools frequently have identities almost separate from the universities of which they are a part. Hence, it might be said that in many cases, specialists in the PHS are dealing with specialists in the schools -- a factor that could make for more understanding and better working relationships in these specialized fields.

3. Present operation of this loan (and grant) program as a branch of the PHS Division of Health Manpower Educational Services furthers the close organizational liaison necessary to balance need and recruitment of manpower in these professions.

4. Congressional appropriations for funding the HPSL and NSL programs are probably more readily available under the present procedure of submitting these budget items separate and distinct from those for programs administered by the USOE. In its discussion of the pros and cons of this subject the Advisory Committee of this study dwelt on the importance of continued separation of the programs if it seems this is necessary to ensure adequate funding.

5. The special consultant on Health Professions to the College Entrance Examination Board presented his findings and recommendations to representatives of 98 percent of the medical schools at the annual meeting of the Association of American Medical Colleges in the fall of 1967. The Committee on Financial Aid for the American Medical Schools reviewed the report and unanimously approved the following motion:

> "The Committee recommends that the Group on Student Affairs of the AAMC support a position of a separate Health Professions Financial Aid Program not consolidated with other federally sponsored financial aid programs for students."

On the other hand it may be said that the six federal loan programs should be administered centrally for the following reasons.

1. Operation by one agency would simplify the procedural problems of educational institutions by providing a single unified contact for all loan programs and should make for a more efficient federal administrative structure.

2. It should more readily lead to standardization of provisions in legislation and regulations, definitions, forms, reports, timetables.

3. It would bring to bear more and greater knowledge and staff expertise in student financial aid developed over a period of years in the USOE. It would make available to institutions the experience and expertise of the USOE staff in the regional offices.

4. The Division of Student Financial Aid, USOE, also administers the Educational Opportunity Grants and College Work-Study programs, as well as the four loan programs. Both these programs are available to the health professions and nursing schools.

   Some splintering has already occurred. A Nursing Opportunity Grant Program has been established; it is available to nursing schools if they are not simultaneously using the EOG Program.

5. The Division of Student Financial Aid, USOE, also administers the Cuban Refugee Loan Program.

   Here, again, some splintering has already occurred. The PHS is administering some Cuban loans in the professional schools, while USOE is administering the huge bulk of Cuban loans elsewhere. Now, two branches of government are in the business of record keeping and direct collection of loans from Cuban refugees.

6. A potential for further overlapping exists in the allied health professions field. The Public Health Service is understandably interested in and concerned with X-ray technicians, dental assistants, occupational therapists, and so forth. Many of these, however, are starting to receive student financial aid through the Vocational Loan Program (administered by USOE), inasmuch as they receive their training through proprietary and non-profit vocational schools.

7. The previous chapter of this report on "Uniformity of Provisions in Loan Programs" identifies several provisions in the Health Professions and Nursing loan programs that are unnecessarily inconsistant with provisions in the other loan programs. These

cover such provisions as: interest payment during pay-out period; deferments; repayment provisions; reimbursement for administrative expenses; cancellation due to death, disability, bankruptcy; and so on. Central administration could possibly have prevented many, if not all, of these inconsistencies. This factor assumes some added importance if the recommendation is accepted to establish maximum limits of borrowing under all federal loan programs.

8. As to the problem of more adequate funding, which Health Professions and Nursing programs presently enjoy, it should be pointed out that the Cuban Loan Program also enjoys more adequate funding -- even though it is centrally administered with three other loan programs.

9. It should be mentioned also that the Vocational Student Loan Program is administered by the Division of Student Financial Aid as a part of the Bureau of Higher Education, although there is a separate Bureau of Adult and Vocational Education responsible for all the other relationships with vocational schools. It is significant that the Division of Student Financial Aid, responsible for administering the separate guaranteed loan program for Vocational and higher education students, promptly offered appropriate legislative proposals for merging the two programs.

In the face of these varying opinions, it is the conclusion of the study staff that the advantages of centralized administration of these loan programs outweigh the disadvantages. It is recommended, therefore, that the operation of the six federal loan programs be brought into a single administrative agency. It is further recommended that appropriation request for Health Professions and Nursing loan programs continue to be submitted as separate budget items by the Public Health Service.

XII. A PILOT STUDY ON THE IMPACT OF STUDENT LOANS (1)

Although there have been no previous studies on the impact of student loans on the borrowers themselves after they have graduated from college, there have been studies of the students' attitudes while in college and of the attitudes of parents toward loans. Generally parents have been strongly in favor of loans as a means of helping to defray the cost of college, as demonstrated by two studies (one by Gallup and one by Educational Testing Service) done in the early 1960's when loans under the National Defense Student Loan Program were just beginning to pay a large part of the expense of college. At about the same time, Hall and Cragie(2) did the most comprehensive study of student loans for the Office of Education when they got completed questionnaires from 30,000 borrowers enrolled in 1,000 colleges. The average student responding to Hall and Cragie's questionnaire felt that he could safely borrow a total of only $2,000. Nine out of ten said that the availability of a student loan had made it possible for them to start or continue college on a full-time basis. One-half of the students said their loan had made it possible to reduce the number of hours that they spent on part-time employment. One-third of the borrowers got no financial support from their families. Thus it is apparent that students were generally favorable about their loans at that time but felt that there was a definite limit to the amount that they should borrow.

In an effort to get some feeling for the impact of loans on students who have graduated, a small pilot study was conducted for the College Entrance Examination Board of 109 students who had borrowed under the NDSLP and had graduated from seven colleges and universities of various types in the New York metropolitan area. The institutions participating were Fordham University, Newark State College, New York City Community College, New York University, Queens College, Saint Peters College, and Yeshiva University. Students were selected from the class of 1965, because it was felt that they would have been in college when the NDSLP was in full swing, and yet they would have been out long enough to have had experience repaying their loans. Only graduates in the payout stage who were not delinquent in their payments were sent questionnaires. It was felt that a mail questionnaire to delinquents might interfere with the college's own collection efforts. It was decided also that any problems students might have who were repaying their loans on time would probably be even more pronounced among delinquents.

A questionnaire was mailed to 285 men and women and returned by 109 or 37 percent without a follow up. A study was made of the non-respondents by selecting four at random from each college. In the majority of cases they did not live at the addresses supplied by the colleges. It may be inferred that the major reason for non-response was that the questionnaire did not reach approximately one-third of those to whom it was mailed. There is no reason to suspect that these borrowers were any different from those who completed the questionnaire. The fact that so many of the addresses are incorrect is, however, a cause for concern in the matter of collection. It is hard to collect money from people who cannot be located.

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(1) Report prepared by George Nash and Patricia Nash, Columbia University, Bureau of Applied Social Research, February 1968.

(2) Hall, Robert C. and Stanton Cragie, Student Borrowers and Their Needs, United States Office of Education, Government Printing Office, 1962.

No attempt is made here to project significant conclusions from this study of a hetereogeneous but non-representative small sample. A number of substantial differences have been noted between men and women borrowers and between those who borrowed small amounts and those who borrowed large amounts. These are in the expected direction, and there is every reason to expect that if the sample had been better and bigger these differences would have been found and would have been significant. The principal conclusion drawn here is that very little can be said about what will happen to borrowers who are graduating from college today with heavy indebtedness.

The median National Defense Student Loan taken by the students in the sample studied was small: $900. Only eight had borrowed $3,000 or more; the largest loan was $4,250. However, the 31 percent of the sample who had borrowed $1,500 or more were much more concerned about repayment than were those who had borrowed less and regretted that they had borrowed so much. This suggests that students who borrow more than the $2,000 that Hall and Cragie found to be the maximum desired may well have problems with repayment.

The borrowers studied were typical in that most came from families with relatively low incomes (68 percent had incomes of less than $10,000) and most had done fairly well in college (80 percent were in the top half of their graduating class). Half were men and half were women and their average age was 24. A surprisingly high 61 percent were married. (It may well be that the students who could not be located were much less likely to be married.) But it should be noted that 65 percent of the borrowers were earning $7,500 or more (including spouse's earnings). This level of income at age 24 is perhaps surprising. It must be remembered, however, that academic excellence was a criterion of the National Defense Student Loan Program for the years affecting the class of 1965. Also, 58 percent of the borrowers studied had engaged in graduate studies.

As would be expected from the fact that education is primarily a woman's occupation and the major field of employment for women college graduates, the majority of the women (71 percent) expected that a portion of their loan would be cancelled because they were teachers, while this was a minority phenomenon with men (43 percent). Most men and women had worked while they were in college and had lived at home. These facts are typical for students from large urban areas.

In most cases the loans had had little negative impact: the borrowers expected to repay them on time and said they would do it again if they were in the same situation. The questionnaire included a battery of questions asking the students if the loans had had any effects such as postponing graduate education or causing them to go to work sooner. The only major effect noted was that 16 percent of the students said that they had postponed some purchases. Most of the students said that both they and their parents had been in favor of their borrowing, and 70 percent said that they were satisfied with the amount that they had borrowed or that they wished they had borrowed more than they did.

There were some differences that seem to be quite important between those who borrowed large amounts ($1,500 or more) and those who borrowed less. Almost half (46 percent) of the large borrowers said that they wished they had borrowed less, and only 22 percent of those who did borrow less felt this way.

It is only among the large borrowers that a substantial proportion (21 percent) are uncertain about whether they will have a hard time making repayment. Similarly, although most students do not feel that it would markedly affect their financial situation to pay their loans off in five years rather than ten, this is not the case with 64 percent of the large borrowers. Also, it is only among the large borrowers that there is any enthusiasm for monthly or quarterly payments (34 percent favor them). However, the larger borrowers who hold these negative attitudes are primarily those who do not expect cancellation. This means that teachers base their attitudes on the amount they will have to repay and not on what they borrowed.

There are surprisingly few differences between men and women borrowers. Each is equally likely to get or expect help from his or her family in repaying the loan, although only 11 percent expect any such help. Women are much more likely than men to get help from their spouses in repaying their loans (28 percent compared to 16 percent).

One of the focuses of this study has been the effect of the cancellation feature of the NDSLP in recruiting students into the teaching profession. One of the most interesting findings of this small pilot study is the fact that 91 percent of the borrowers who expect to receive cancellation because they had gone or were going into teaching said that the fact that they would not have to pay back the total amount of their loan had no influence on their decision to go into teaching. This finding, coupled with the reports of the majority of college administrators that the cancellation feature does not increase the flow of teachers, offers strong support that the cancellation feature does not have the desired effect. However, students who expect cancellation because they planned to become teachers borrowed more while they were in college (35 percent of these students had taken larger loans, compared to only 26 percent of the others). This finding suggests that career choice affects borrowing patterns rather than the reverse. Students who expect cancellation are willing to borrow more.

RESULTS OF PILOT-STUDY QUESTIONNAIRE COMPLETED BY 109 BORROWERS UNDER THE NATIONAL DEFENSE STUDENT LOAN PROGRAM

All borrowers studied graduated from colleges and universities in the New York Metropolitan area in the class of 1965. All were in the process of repaying their loans at the time they were studied, and none were delinquent in their payments.

Cross tabulations are listed here only where differences occur.

1. How much did you borrow under the National Defense Student Loan Program? (In other words, what was the total amount of the note, not including interest, when your first payment became due?

Median total	$ 900
Men's median	800
Women's median	1,000
Small loan ($1,499 or less)	69%
Large loan ($1,500 or more)	31%

2. a) Do you expect that any of your loan will be cancelled because you are or will be teaching?

	Yes	No
Total	57%	43%
Men	43	57
Women	71	29
Small loan	54	46
Large loan	65	35

b) IF YES, did the fact that you would not have to pay back all of your loan influence your decision to go into teaching?

Total		Men	Women	Small loan	Large loan
3%	Yes, definitely	0%	5%	5%	0%
6	Yes, probably	12	3	2	14
91	No	88	92	93	86
0	I don't know	0	0	0	0

3. How often are you making payments on your NDS Loan?

96%	Yearly	0%	Semi-monthly
3	Quarterly	1	Monthly

4. How frequently would you prefer to make payments?

Total		Small loan	Large loan
76%	Yearly	76%	66%
12	Quarterly	17	10
2%	Semi-monthly	0%	7%
10	Monthly	7	17

5. How much time would you prefer to have to repay your loan?

80%	The present amount (10 years)
8	More time
12	Less time

6. Do you expect that you will have any trouble repaying your loan?

	Yes	No	Hard to say
Total	4%	87%	9%
Small loan	2	90	5
Large loan	6	73	21

7. Which of the following did you do for at least one year while you were in college?

	Yes	No
a) Hold a summer job	87%	13%
b) Hold a job during the term	64	36
c) Have a scholarship or grant	48	52
d) Receive some financial help from your parents or family	63	37
e) Live at home	74	26

8. What was your family's approximate gross income while you were in college?

14%	Less than $5,000	17%	$10,000 - 14,999
30	$5,000 - 7,499	5	15,000 or more
24	7,500 - 9,999	10	I don't know

9. What will your gross income be this year (or the total income of you and your spouse if you are married)?

12%	Less than $5,000	24%	$10,000 - 14,999
23	$5,000 - 7,499	16	15,000 or more
25	7,500 - 9,999		

10. What is your level of education?

0%	Less than two years of college
3	Two years of college
4	More than two years but less than four years
35	College graduate
58	More than college

11. Will you receive (or have you received) any help in repaying your National Defense Student Loan from: (% saying yes)

	Total	Men	Women	Small loan	Large loan
a) your parents	11%	11%	12%	5%	25%
b) your spouse	21	16	28	18	30
c) parents of your spouse . .	0	0	0	0	0
d) other family	0	0	0	0	0
e) a friend	0	0	0	0	0
f) other.	0	0	0	0	0

12. When you made your first National Defense Student Loan while you were in school: (% saying no)

	Total	Men	Women	Small loan	Large loan
a) Were you in favor of the loan.	8%	13%	4%	12%	0%
b) Were your parents in favor of the loan	10	6	14	11	6

13. Looking back on the National Defense Student Loans you took while you were in school would you have preferred:

Total		Small loan	large loan
30%	to have borrowed less	22%	46%
30	to have borrowed more	32	27
40	to have borrowed the amount you did	44	27

14. What other forms of long-time indebtedness do you (or you and your spouse) now have?

Total

38% Auto
15 House
11 Home furnishings
19 Other student indebtedness from my education
5% Other student indebtedness from my spouse's education
21 Other indebtedness

15. Did your student loan have any of the following effects:

	Yes	No
a) Postponing graduate education	3%	97%
b) Going to work sooner	7	93
c) Postponing marriage	2	98
d) Postponing getting your own apartment . .	2	98
e) Postponing purchase of a house.	3	97
f) Postponing other purchases.	16	84
IF MARRIED		
g) Caused your wife to work.	3	97
h) Postponed children.	5	95
i) Other	0	100

16. Would it affect your financial situation markedly if you had to repay your NDS Loan in 5 years rather than 10?

	Yes	No
Total	34%	66%
Small loan	21	79
Large loan	64	36

17. In what quarter of your college graduating class did you rank?

44% Top quarter
36 2nd quarter
16% 3rd quarter
4 Bottom quarter

18. Sex: 50% Male 50% Male

19. Average age: 24 years

20. Marital status:

37% Single
61 Married
2 Other

21. a) IF YOU ARE MARRIED, does your spouse have a National Defense Student Loan?

10% Yes 90% No

22. In what year did you first enter college?

60% entered in 1961

NON-RESPONDENT FOLLOW UP

	Number of non-respondents sampled	Wrong address or no phone in that surname at that address	Parents there, student moved	Didn't answer phone or unlisted phone	Reached, had gotten but hadn't answered
College A	5	1	1	2	1
College B	4	3	0	0	1
College C	4	2	0	1	1
College D	4	1	1	2	0
College E	4	2	0	1	1
College F	4	2	2	0	0
College G	4	2	1	1	0
Total	29	45%	17%	24%	14%

TASK STATEMENT FOR THE STUDY OF FEDERAL LOAN PROGRAMS

A. Federal Policy on Student Loans

1. The Federal Government, as a matter of public policy, has fostered student loans as a principal means of providing assistance to needy students, and is now extending benefits of loans to students from middle-income families not previously eligible so that additional students will attend college.

2. The federal policy is to minimize direct loans financed from the Federal Treasury, and maximize loans through private financial sources assisted by federal credit such as guarantees and subsidized as to interest rate in order to keep the cost to the student low, and minimize the difference in cost to the student between a direct federal loan and guaranteed loan.

3. The Federal Government has provided for student loans under:

(a) P.L. 85-864, Title II of the National Defense Education Act of 1958 - the NDEA Student Loan Program;

(b) P.L. 88-129, Title III, Part C, of the Public Health Service Act, as amended - the Health Professions Student Loan Program;

(c) P.L. 88-581, Title VIII, Part B, of the Public Health Service Act, as amended - the Nursing Student Loan Program;

(d) P.L. 89-329, Title IV, Part B, of the Higher Education Act of 1965 - Federal, State and Private Programs of Low-Interest Loans to Students in Institutions of Higher Education;

(e) P.L. 98-287, the National Vocational Student Loan Insurance Act of 1965 - Federal, State and Private Programs of Low-Interest Loans and Direct Federal Loans to Vocational Students;

(f) P.L. 87-510, Refugee and Migration Assistance Act of 1962 - United States Loan Program for Cuban Students.

B. Objective of Study of Federally Assisted Student Loan Programs

This study is to gather information and evaluate factors bearing on the organizations and operations of federally supported student loan programs in relation to the policy guides given above. The evaluation will cover administration of the student loan programs, the problems of student loan collections, and other significant areas of student loan operations. In total, the study will develop and propose measures to make federally assisted student loan programs best serve the Nation's broad educational objectives.

To the extent these measures call for revisions in existing legislation specific phasing plans for the transition will be formulated for action on a step-by-step basis to avoid any setback or disruption in meeting this expanding need for student financial aid.

The optimum operational conditions desired from the federally assisted student loan programs will:

1. Assure students eligible under federal policies access to loans to be used to enter upon or further their college education;

2. Provide maximum administrative simplicity with the cost of operation of the program held to an economical level;

3. Assure a business-like approach that will result in collection of loans with minimum collection losses;

4. Create effective administrative relationships and harmony among the parties; that is, the Federal Government, the educational institution, the state or private guarantee agency, and the lender, in meeting the needs of the student;

5. Facilitate maintenance of appropriate interrelationship with all other forms of student financial aid, scholarships, grants, work-study or other student employment programs, or precollege savings programs.

C. Key Study Problems

The Study of Student Loans should:

1. Determine appropriate administrative structure, responsibilities, relationships for federal participation, including measures for effective decentralization of operations in student loan programs through involvement of state and private non-profit institutions, educational institutions, direct or indirect federal involvement with lending institutions, or some combination of these arrangements;

2. Consider the operating responsibilities of the educational institution, the lending institution, the loan guarantee agency (federal or non-federal) in financial dealings with the student borrower. Among the factors involved for which responsibilities among the parties are to be determined are:

(a) financial eligibility,

(b) amount of loan,

(c) disbursement of loan funds,

(d) repayment arrangements,

(e) collections,

(f) determination of default,

(g) application of penalties and default provisions,

(h) institution of guarantee provisions;

3. Examine alternative arrangements for administration of the student loan forgiveness because of teaching, practice of medicine in rural areas, or other elements of public services which the Congress has determined to be eligible for forgiveness;

4. Assess factors affecting supply of private credit to meet needs of applicants for student loans, and evaluate measures to increase supply of credit, including, among others, interest rates, reserves to meet defaults, coverage of guarantees, eligibility of student loan obligations for discounting in the credit market, repayment conditions, streamlining administrative processing and reporting;

5. Assess existing restrictions facing educational institutions in borrowing for purposes of financing student loans with federal guarantee of repayment of principal and interest. Propose measures to assure that loans under credit shortage conditions will be made to applicants having greater needs, giving consideration to modifying eligibility standards for federal loan assistance, including availability of liquid assets of the family, as well as income in determining eligibilities, use of sliding scales of federal assistance related to financial conditions of family, or other means of establishing priority or preference for student loan applicants in need;

6. Examine special problems of and propose measure for assuring private credit to minority groups, and students from families without favorable or established credit records.

B-1078

FINAL RESULTS FROM A QUESTIONNAIRE RETURNED BY AID DIRECTORS AT 1,671 INSTITUTIONS OF HIGHER EDUCATION IN RESPONSE TO THE COLLEGE ENTRANCE EXAMINATION BOARD REVIEW OF FEDERAL LOANS TO STUDENTS

George Nash and Patricia Nash
Columbia University
Bureau of Applied Social Research
October 19, 1967

Responses to IHL Questionnaire as of 10/19/67

	Number	Didn't answer because not applicable or answered after cut-off date	Eligible to reply	Answered	%
Accredited 4-year					
Type 1 public universities	102	2	100	86	8 %
Type 2 private universities	65	1	64	59	92
Type 3 public colleges	280	4	276	233	85
Type 4 private colleges (men, coed)	543	27	516	440	85
Type 5 private colleges (women only)	164	7	157	128	81
Accredited 2-year					
Type 7 public 2-year	229	15	214	178	83
Type 8 private 2-year	196	31	165	121	73
Unaccredited					
Type 6 4-year	166	26	140	96	69
Type 9 2-year	468	76	392	253	65
Other					
Type 10 religious or theological	231	62	169	77	46
Total	2,444	251	2,193	1,671	76%

Completed questionnaires included in the analysis from participants in Federal Student Aid Programs

	Instititutions participating	Respondents	Rate
National Defense Student Loan Program	1,722	1,392	81%
College Work-Study Program	1,648	1,327	81
Education Opportunity Grants Program	1,576	1,303	82

A. THE ORGANIZATION OF FINANCIAL AID AT YOUR INSTITUTION

1. Approximately what part of your working week is devoted to student financial aid administration? (Consider financial aid as scholarships, loans, and/or term-time jobs. If it varies, estimate for the entire year.)

30% 90 to 100%
11 70 to 89%
30% 30 to 69%
29 Less than 30%

2. a) Do you perform other work at your institution on a regular basis in addition to administering aid?

80% Yes 20% No

b) IF YES: What functions other than aid administration do you perform?

25% Admissions work
16 Business office
19 Teaching
15% Placement (jobs after graduation)
35 Student personnel work
23 Other

3. Which office at your institution is responsible for dealing with applicants for:

	My office	Another office and not my office: Business office	Admissions office	Other	We don't offer this type of aid
a) Institutional scholarships	76%	5%	13%	12%	3%
b) Institutional loans . . .	71	12	3	4	18
c) National Defense Student Loans (NDSL).	81	8	3	2	14
d) Educational Opportunity Grants (EOG).	77	5	4	2	18
e) College Work-Study program (CWS)	75	7	2	8	16
f) Term-time jobs <u>on</u> campus	63	12	2	25	4
g) Term-time jobs <u>off</u> campus	43	3	1	31	24

B. GENERAL

1. What do you think is the maximum amount an undergraduate should be allowed to borrow from all sources (excluding temporary short-term loans) by the end of four years of college? (By this we mean the net amount after potential cancellation such as teacher cancellation.)

4% Less than $2,000
8 $2,000
15 $3,000
37 $4,000
24% $5,000
10 $6,000
2 More than $6,000, please specify:

Note: Percentages are based on those answering the question and are rounded so that they will total 100%.

2. IF YOUR INSTITUTION HAS GRADUATE STUDENTS, what do you think is the maximum amount a graduate student should be allowed to borrow from all sources by the time he reaches the Ph.D. or Law degree level (excluding temporary short-term loans, but including undergraduate loans)? (By this we mean the net amount after potential cancellation such as teacher cancellation.)

11%	Less than $5,000	24%	$10,000
12	$5,000	6	$12,000
14	$6,000	0	More than $12,000
33	$7,500		

3. When an incoming student applies for financial aid, what is the usual method of determining the student's need?

63%	The Parents' Confidential Statement of the College Scholarship Service
14	Income Tax Method
5	Office of Education Alternate Method
35	Our own form
8	Other

4. How clear are the instructions received by your institution on each of the following programs?

	Very clear	Fairly clear	Un-clear	Can't say. We haven't seen them
a) NDSL	42%	54%	3%	1%
b) CWS	33	62	2	3
c) EOG	39	56	5	0
d) Cuban Refugee Loan	37	40	3	20
e) Guaranteed Loan (instructions from the agency that administers them in your state) .	34	46	12	8

5. Given the fact that Federal funds are involved, how reasonable are the reporting procedures required by the Office of Education (USOE) for each of the following programs?

	Very reasonable	Fairly reasonable	Un-reasonable
a) NDSL	22%	64%	14%
b) CWS	18	63	19
c) EOG	24	66	10
d) Cuban Refugee Loan	55	43	2

8. Would you please indicate if the amounts received were adequate for your needs, inadequate or more than adequate:

	Adequate	Inadequate	More than adequate
a) NDSL	50%	42%	8%
b) EOG	44	41	15
c) CWS	56	26	18
d) Cuban Refugee Loans	90	3	7

10. IF THE 1966-67 ACADEMIC YEAR ALLOCATIONS FOR ANY OF THE ABOVE WERE LESS THAN ADEQUATE, is it because you were limited in the amount you were permitted to request by the difficulty in raising your institution's share of the funds?

	Yes	No
a) For NDSL	11%	89%
b) For CWS	19	81

11. How successful in providing for the needs of your students would you say each of the following programs is at your institution?

	Very successful	Somewhat successful	Un-successful
a) NDSL	69%	29%	2%
b) Guaranteed Loan Program	37	45	18
c) Cuban Refugee Loan Program	87	13	0
d) EOG	58	38	4
e) CWS	62	35	3

12. Congress is currently considering a bill permitting up to $325 of college costs to be deducted from income tax payments. By how much do you think this would reduce the need for aid funds at your institution?

- 7% It would substantially reduce the amount we would need
- 39 It would reduce the amount, but not by much
- 54 It would probably not reduce the amount we would need

C. NATIONAL DEFENSE STUDENT LOAN PROGRAM

1. a) Does your institution participate in the NDSL program?

   83% Yes 17% No

   b) IF NO: For which of the following reasons:

   - 17% We intend to participate within the next year
   - 12 We are not eligible
   - 18 The need for 10% matching funds
   - 31 Administrative costs
   - 2 Loyalty oath provision
   - 44 Other (please specify):

2. Do you presently plan to decrease (or have you decreased) the size of your request for NDSL funds because you expect aid applicants to be able to get loans under the Guaranteed Loan program?

   11% Yes 89% No

3. If Guaranteed Loans were readily available and could be used for matching with EOG, would you reduce or eliminate NDSL?

   37% Yes 63% No

4. According to your institution's policies, are there any types of full-time students (who have financial need) who are not awarded either NDS Loans or Educational Opportunity Grants?

   50% Yes 50% No

   IF YES: Which types?

	Not eligible for NDSL	Not eligible for EOG
1) First semester students	11%	8%
2) Transfer students	8	12
3) Married students	5	19
4) Students whose grades are above the failing mark but not above our minimum required for those receiving aid	76	62
5) All but prospective teachers	4	3
6) Night students (full-time)	13	18
7) Other (please specify)	20	22

5. Please indicate your experience with each of the following aspects of the National Defense Student Loan program:

	Very satis-factory	Somewhat satis-factory	Somewhat unsatis-factory	Very un-satis-factory
a) Timing on notification of availability of funds	19%	31%	27%	23%
b) Assessing need of applicants	42	50	7	1
c) Your ability to make a firm commitment to a needy student	32	41	18	9
d) Your ability to determine who will receive funds	48	47	4	1
e) Your ability to package NDSL awards with other aid	55	38	6	1
f) Determining eligibility for deferment and cancellation	36	46	14	4
g) The cancellation feature for teachers	47	39	11	3
h) Your experience with collection	27	48	19	6
i) Assistance from the Regional Office of the USOE	69	27	3	1
j) The new USOE reimbursement procedure for administrative costs	39	47	9	5

6. When should your college have (or have had) your allocation from USOE in order to award NDS Loans for the Fall term of the Academic Year 1967-68?

   19% February 15, 1967 or earlier
   37 February 16 - March 31, 1967
   30 April 1 - May 31, 1967
   9 June 1 - July 31, 1967
   5 Later, but before the Fall term begins

7. a) Are you responsible for NDSL collections?

   44% Yes 56% No

8. Do you feel that the teacher cancellation feature of NDSL makes it more difficult for your institution to collect funds owed by those who aren't eligible for cancellation?

   4% Yes, definitely 85% No
   11 Yes, probably

9. Do you think that the teacher cancellation feature of NDSL has increased the number of students at your institution who have gone into teaching?

   13% Yes, definitely 45% No
   42 Yes, probably

10. Which of the following <u>best</u> expresses your opinion regarding the cancellation feature of the NDSL program?

   67% There should be no change
   22 Eliminate all cancellation
   11 Extend cancellation

11. a) Does your institution presently conduct exit interviews and make NDSL repayment arrangements with graduating students?

   91% Yes, in most cases 7% Yes, in some cases 2% No

   b) Does your institution presently conduct exit interviews and make NDSL repayment arrangements with students who are leaving before completion of their program (for example, those who are dropping out or transferring)?

   69% Yes, in most cases 26% Yes, in some cases 5% No

12. With regard to students who are delinquent on NDSL repayment:

	Yes	No
a) Do you prohibit the release of transcripts. .	69% . .	31%
b) Have you written any strong letters suggesting that they may be subject to legal action	77 . .	23
c) Have you turned any accounts over to either a lawyer or a collection agency.	26 . .	74

13. To what extent do the following categories contribute to your NDSL delinquent accounts?

	Frequently	Sometimes	Rarely	Don't know
a) Dropouts or expelled students	35%	36%	16%	13%
b) Students who transferred in good standing to other institutions	6	32	47	15
c) Girls who have married	11	43	31	15
d) Those pursuing careers where early-year earnings are low	10	34	26	30
e) Those in low paying occupations	13	32	24	31
f) Those whose payments have been deferred for a number of years	18	34	27	21
g) Those with particularly heavy college loan indebtedness	13	37	27	23
h) Students from families with low incomes (viz $4,000 per year or less)	8	27	26	39
i) Other (please specify)	19	12	7	62

14. Has your institution used the following options provided by the Higher Education Act of 1965?

	Yes	No	I don't know about this option
a) Permitting repayments less than the amount due	44%	39	17%
b) Assessment of penalty charges	25	69	6
c) More frequent than annual billing	73	22	5

15. How frequently are most students currently graduating with NDS Loans being billed by your institution?

12%	Monthly	46%	Quarterly
1	Bi-monthly	41	Annually

16. Of all the money your institution has loaned to date under the NDSL program, what proportion do you estimate will be collected by your institution (either by your efforts or through a collection service)?

29%	98% or more	14	80 - 89%
27	95 - 97%	5	70 - 79%
22	90 - 94%	3	69% or less

17. a) Would you be in favor of a non-profit, centralized collection service specializing in college student loans?

52% Yes, for all NDS Loans
39 Yes, but only for those that we desire to turn over for collection
9 No, we are opposed to centralized collection

C. National Defense Student Loan Program (cont'd)

18. Are you presently using or considering the use of an outside collection service on a regular basis?

7% Yes, we are presently using a collection service for all NDS Loans
6 Yes, we are using a collection service, but only for delinquent accounts
22 We are considering the use of a collection service
65 No

D. GUARANTEED LOAN PROGRAM

2. Is your institution in regular contact with a bank (or banks or other lenders) in connection with your students' applications for Guaranteed Loans?

71% Yes 29% No

3. IF YES: Do you have one or more banks (in your state) to which you can recommend students applying for Guaranteed Loans with some chance of their getting such loans?

80% Yes 20% No

4. Do you recommend to the student the amount to be borrowed on Guaranteed Loans (for students in your state)?

43% Yes, in most cases
22 Yes, in some, but not in most
16 In only a few cases
19 Not at all

5. Do you recommend to the bank the amount to be borrowed on Guaranteed Loans (for students in your state)?

48% Yes, in most cases
12 Yes, in some, but not in most
11 In only a few cases
29 Not at all

6. IF YES: Have your recommendations been followed by the bank?

28% Yes, in most cases
47 Yes, in some, but not in most
25 In only a few cases
0 Not at all

7. Do you think that your institution should specify the maximum amount that could be loaned to a student under the Guaranteed Loan program?

	Yes, definitely	Yes, probably	No
a) If the student has financial need	48	27	25
b) If the student does not have need	43	20	37

8. When should a student be able to receive (or have received) notification of the availability of a Guaranteed Loan for the Fall of the Academic Year 1967-68?

5% February 15, 1967 or earlier
12 February 16 - March 31, 1967
37 April 1 - May 31, 1967
34 June 1 - July 31, 1967
12 Later, but before the Fall term begins

9. From the experience of your institution how much trouble do the following types of students have getting Guaranteed Loans (of those who are legally entitled to them)?

	Considerable trouble	Some trouble	Little or no trouble	Don't know or no such student
a) Out-of-state students	23%	30%	19%	28%
b) Students from large metropolitan areas	9	25	42	24
c) Students from rural areas	15	28	33	24
d) Racial minority group students	10	16	32	42
e) Students from low income families (viz $4,000 per year or less)	13	24	34	29
f) Students from high income families.	7	21	44	28
g) Freshmen	13	25	40	22
h) Transfer students	6	23	42	29
i) Women students.	3	18	50	29
j) Students who are unknown at the bank to which they have applied (no individual or family account).	45	23	11	21

10. Would you prefer that the bank give the money from the Guaranteed Loan directly to the student, or should a check be mailed to your institution in care of the student?

33% Funds should be given directly to the student
67 A check should be mailed to our institution in care of the student

11. Should the Guaranteed Loan funds be disbursed in one sum in the fall or should two equal disbursements be made, one in the fall and one in the spring?

20% Disburse once a year only
80 Make two equal disbursements

12. How good a job would you say your State Loan Agency has done in acting quickly on applications for Guaranteed Loans this Academic Year 1966-67 (or the United Student Aid Fund if they administer the program in your state)?

46% Very good   9% Fairly poor
39 Fairly good   .6 Very poor

Numerical data - Section B - for Academic Year 1966-67

6a. Number of students receiving aid under each program. (of those participating and answering)

	Mean	Median
NDSL	210	80
EOG	62	25
CWS	116	45

6b. Frequency of type of loan package. (of those who knew)

	Very frequently	Fairly frequently	Rarely or never
How frequently have NDSL recipients also received:			
EOG	54%	36%	10%
CWS	38	47	15
Guaranteed Loans	6	18	76
Other aid	33	39	28
How frequently have recipients of EOG also received:			
CWS	39	36	25
Guaranteed Loans	8	20	72
Other aid	34	33	33
How frequently have recipients of CWS also received:			
Guaranteed Loans	11	31	58
Other aid	27	35	38

7. Allocation from Office of Education. (of those participating and answering)

	Mean	Median
NDSL	$108,557	$50,000
EOG	41,486	20,000
CWS	86,387	34,000
Cuban Refugee Loans	18,931	1,000

9. Adequacy or inadequacy of allocations.

	Mean amount inadequate (of those inadequate)	Mean amount more than adequate (of those more than adequate)
NDSL	$49,593	$17,894
EOG	28,752	21,549
CWS	30,383	21,298

Numerical data - Section D

1. Please estimate:	Mean number of those estimating
a) The approximate number of students at your institution (from the state in which your institution is located) who completed applications for Guaranteed Loans (for this Academic Year 1966-67).	133
b) Approximately how many of them received Guaranteed Loans?	104
c) Approximately how many who applied (in 1a) had financial need (by your institution's ordinary standards of need)?	76
d) Approximately how many more of your students with financial need over and above those mentioned in 1c might have applied for Guaranteed Loans (given the aid program at your institution this year) if the guarantee program in your state were in full operation?	85

Procedure:

All Institutions of Higher Learning listed in the U.S. Office of Education's Education Directory, Part 3, Higher Education, 1965-66 were included in the universe. The list was updated by use of OE's President's List of June 1967. This means that all accredited two and four year institutions and those whose credits were accepted by at least three other accredited institutions were included. Health professions schools without undergraduates were excluded. The questionnaire was mailed in May 1967 and three follow-ups, including an additional questionnaire, were sent to non-respondents.

B-1078

FINAL RESULTS FROM A QUESTIONNAIRE RETURNED BY 643 LENDING INSTITUTIONS IN RESPONSE TO THE COLLEGE ENTRANCE EXAMINATION BOARD REVIEW OF FEDERAL LOANS TO STUDENTS

George Nash and Patricia Nash
Columbia University
Bureau of Applied Social Research
October 31, 1967

Responses to the Lending Institution Questionnaire as of 10/27/67

Type of Institution	Assets	Sent out	Responding	% Responding	# Participating in CIP	% Participating of respondents	# included in tabulation*
Large Commercial Banks	$ 100 million+	336	317	94%	252	80%	238
Small Commercial Banks		656	394	59	211	54	201
Large Savings and Loan Associations	100 million+	191	127	67	31	24	31
Small Savings and Loan Associations		226	129	57	12	9	10
Large Mutual Savings Banks	100 million+	126	113	90	53	47	52
Small Mutual Savings Banks		190	131	69	84	64	82
Large Credit Unions	1 million+	193	102	53	28	27	28
Small Credit Unions		194	75	39	5	7	1
Total		2,112	1,388	66%	676	49%	643

*33 Lenders were excluded from the tabulation because of late return

Procedure:

We sent the questionnaire to 2,112 lending institutions. The sample was weighted on the basis of assets. The figures on assets break down as follows:

Type of institution	Number of institutions	Total dollar assets 1966 (in billions)	Percent of all assets
Commercial banks	13,500	$ 380	65%
Savings & loan associations	6,500	134	23
Mutual savings banks	500	59	10
Credit unions	22,000	10	2
Total	42,500	$ 583	100%

We sent the questionnaire to 992 commercial banks, 417 savings and loan associations, 316 mutual savings banks, and 393 credit unions. This gave a total of 2,112 lending institutions. Within each type we over-sampled the larger institutions. For example, of commercial banks we sent questionnaires to all 336 with assets of $100 million or more. These banks control approximately 66% of all commercial bank assets in the 47 states we studied. We sent questionnaires to 5% of the balance of commercial banks. We sampled the other three types of institutions on the same basis.

We sent questionnaires to all savings and loan associations with assets of more than $100 million. They controlled 39% of all assets. We sent to a 3.5% random sample of the balance. We sent questionnaires to all mutual savings banks with assets of more than $100 million. We sent questionnaires to a 50% random sample of the balance. We sent questionnaires to 194 credit unions with assets of more than $1 million. This is a majority of large credit unions. We sent questionnaires to 1% of the balance. Lists were furnished at no charge by the American Bankers Association, The United States Savings and Loan League, the National Association of Mutual Savings Banks and Cuna International, Inc.

We excluded North Carolina, Texas, and Wisconsin from the sample because lending institutions in those states do not participate in the same fashion as those in other states. The questionnaire was mailed in August 1967 and each non-respondent received three follow-ups.

Responses to the Lending Institution Questionnaire

A. PARTICIPATION

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
7. Has the annual volume of guaranteed loans to students increased at your institution since January of 1966?								
Yes	92 %	90%	92%	95%	94%	89%	88%	92%
No	6	9	6	1	6	0	8	6
Hard to say	2	1	2	4	0	11	4	2
8. IF YOU CHECKED "yes" in 7: To which of the following reasons would you attribute this increase?								
The Higher Education Act of 1965	37	34	20	25	32	25	48	30
The normal course of business	23	30	46	42	32	13	13	27
Both 1 and 2	36	29	30	26	29	50	17	28
Other	33	24	28	19	36	38	39	26
9. If the Federal government guaranteed loans directly in your state (i.e., in lieu of or in addition to the agency that presently administers the guarantee program in your state) would your institution make more, the same, or fewer loans to students than you have made under the state or private guarantee approach?								
More	7	6	8	5	0	0	19	7
Same	72	67	67	67	73	80	70	69
Fewer	8	7	4	2	6	0	0	6
Can't say	13	20	21	26	21	20	11	18
10. What benefits have you derived or look forward to from your participation in the student loan program?								
Providing a full range of service to our customers	75	66	89	85	94	100	83	74
The opportunity to interest students in becoming customers	66	46	74	66	63	80	45	58
The ability to satisfy parent's needs	51	49	45	52	50	60	62	49
Good public relations, in general	87	77	96	89	97	80	69	81
The anticipation that in the future the program will become a substantial business which will be profitable	17	16	34	23	38	20	3	18
Other	11	8	0	5	16	0	17	85

B. EVALUATION OF THE PROGRAM

1. In your operation, do you consider the 6% simple rate (which is the maximum permitted by the Higher Education Act of 1965) as a:

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
Profitable rate	2%	7%	6%	16%	6%	10%	3%	6%
Break-even rate	13	39	44	57	42	80	66	33
Loss rate	85	54	50	27	52	10	31	61

2. How favorable are you about each of the following potential methods of increasing the return to your institution on guaranteed student loans? (Please answer according to what you would like whether or not it is presently legal in your state.) (% very favorable)

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
Make the interest income to you tax-exempt	70	66	51	49	42	56	6	61
Raise the rate	60	50	49	51	50	25	21	52
Have the government pay a fee when the loan is granted	36	28	72	47	52	67	39	40
Have the student pay a fee when the loan is granted	39	31	8	10	37	11	35	29

3. How clear are the instructions received by your institution from: (% very clear)

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
The U.S. Office of Education	30	24	36	29	26	0	32	29
The agency that administers the program in your state	50	35	62	58	44	50	46	47

4. Do you feel that reserve ratio to back up the guarantee (i.e., the number of dollars in reserve for each $100 lent) required by the agency presently administering the program in your state is:

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
Satisfactory	60	55	59	51	41	60	64	56
Too high	1	3	0	1	3	0	4	2
Too low	12	7	12	9	3	10	7	10
Can't say	27	35	29	39	53	30	25	32

6. How satisfactory (% very satisfactory)

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
a) a job has the agency in your state done in administering the program?	58	51	80	68	67	60	48	59
b) is the program, itself, at present?	26	30	52	47	45	40	39	34
c) do you think the program will be during the coming year?	24	29	57	56	43	40	43	35

B. Evaluation of the Program (cont'd)

7. It has been suggested that when a student loan enters the repayment period, the student eligible for the interest subsidy should pay the full interest during the repayment period and when the loan is paid in full be allowed a refund from the Federal Government of 50% of the interest he has paid. What is your reaction to this from the standpoint of: (% favorable)

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
a) Feasibility	79%	63%	57%	56%	61%	50%	61%	65%
b) Incentive of students to make payments on time	64	62	40	51	61	60	61	59
c) Reduction of handling costs	77	69	37	44	58	50	67	66

C. POLICIES AND PRACTICES

1. Does your institution limit loans to student borrowers who live in your institution's marketing area?

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
Yes, without exception	41	47	15	32	42	50	67	40
Yes, but we make some exceptions	52	43	19	46	19	30	33	43
No	7	10	66	22	39	20	0	17

2. Does your institution give preference to sons and daughters of customers on student loans?

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
Yes, without exception	26	35	9	17	23	20	67	27
Yes, but we make some exceptions	48	53	11	20	17	10	0	40
No	26	12	80	63	60	70	33	33

3. Does your institution allocate a maximum amount of funds with which to make student loans during a given period of time?

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
Yes	23	18	2	12	6	10	33	18
No	72	80	98	88	94	90	33	80
Other	5	2	0	0	0	0	34	2

4. Which department in your institution handles student loans:

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
a) While the student is in school?								
Credit department	24	56	2	8	18	14	0	30
Installment credit department	52	32	26	45	25	29	0	40
Other	24	12	72	49	57	57	100	31
b) While the student is repaying?								
Credit department	6	38	2	7	18	14	0	16
Installment credit department	88	54	27	43	32	29	0	63
Other	6	9	71	50	50	57	100	21

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL

5. Which of the following types of information would you like to have from the college of the prospective student borrower? (% yes)

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
Acknowledgement of student enrollment	98%	93%	90%	96%	97%	80%	92%	95%
Information on student's academic performance	85	83	67	70	76	40	72	80
Information on income and expenses	80	79	71	75	68	67	68	77
Recommendation on amount of loan	85	89	74	74	70	60	93	83
Notification when the student leaves school	100	100	98	100	100	90	100	99

6. Does your institution take the student's financial need into consideration when making loans?

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
Yes	76	84	86	80	84	70	69	80
No	24	16	14	20	16	30	31	20

7. Where, do you feel, should a student obtain the application for a guaranteed loan?

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
At the lending institution only	41	29	34	52	42	70	34	38
At the college	32	42	4	4	9	0	28	28
At either 1 or 2	27	29	62	44	49	30	38	34

8. Is your institution in regular contact with a college or colleges in connection with their students' applications for guaranteed loans?

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
Yes	32	25	20	13	24	10	10	25
No	68	75	80	87	76	90	90	75

9. Do you generally accept a college's recommendations on the amount to be borrowed on guaranteed loans?

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
Yes, in most cases	77	85	75	59	58	70	86	76
Yes, in some, but not in most	8	5	11	7	19	10	0	8
In only a few cases	4	1	6	6	0	0	3	3
Not at all	11	7	8	28	23	20	11	13

10. From the experience of your institution, how much trouble do the following types of students have getting guaranteed loans (of those who are legally eligible for them)? (% considerable trouble)

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
Students from large metropolitan areas	4%	4%	2%	1%	0%	0%	0%	3%
Students from rural areas	15	5	8	0	10	0	4	9
Racial minority group students	2	0	0	0	0	1	0	1
Students from low-income families (viz $4,000 per year or less)	5	3	0	0	3	0	4	3
Students from high income families	8	4	10	8	3	10	0	6
Freshmen	16	13	2	1	3	0	7	11
Transfer students	8	3	6	4	7	0	0	5
Women students	1	0	0	0	0	0	0	0

11. Please indicate whether you agree or disagree with the following statements:

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
The financial need of the student should be taken into consideration in deciding whether to award a guaranteed loan								
Agree	94	95	96	96	100	80	83	95
Disagree	6	4	4	4	0	20	17	5
Can't say	0	1	0	0	0	0	0	0
Our participation in the guaranteed loan program has decreased our normal installment loan activity								
Agree	21	9	7	3	0	0	3	12
Disagree	64	80	35	69	60	88	90	69
Can't say	15	11	58	28	40	12	7	19
The present ten-month period allowed after graduation before the student must begin to make repayment is not excessive								
Agree	39	61	49	61	49	80	76	52
Disagree	60	37	42	35	51	10	24	46
Can't say	1	2	2	4	0	10	0	2
The ten-year repayment period presently allowed is not excessive								
Agree	28	33	56	57	52	70	62	38
Disagree	72	64	42	38	48	20	38	60
Can't say	0	3	2	5	0	10	0	2

12. What do you think is the maximum amount an undergraduate should be allowed to borrow from all sources (excluding temporary short-term loans) by the end of four years of college?

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
$3,000 or less	10	16	5	4	8	0	0	10
4,000	32	42	17	20	25	40	26	31
5,000	28	20	45	34	25	20	18	28
6,000 or more	30	22	33	42	42	40	56	31

13. What do you think is the maximum amount a graduate student should be allowed to borrow from all sources by the time he reaches the Ph.D. or Law degree level (excluding temporary short-term loans, but including undergraduate loans)?

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
Less than $5,000	5	11	7	6	13	0	8	8
$5,000	6	5	5	6	4	0	0	5
6,000	10	17	2	10	4	0	0	10
7,500	42	40	47	37	39	80	33	41
10,000	25	19	28	34	13	20	46	25
12,000 or more	12	8	11	7	27	0	13	11

14. If your institution has previously lent money (whether on a guaranteed basis or not) to students, please estimate to what extent the following categories have contributed to your delinquent accounts? (% frequently)

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
Dropouts or expelled students	35	13	40	19	35	40	11	25
Students who transferred in good standing from one college to another	1	0	2	2	7	0	0	1
Girls who have married	9	3	8	4	8	0	16	8
Those pursuing careers where early year earnings are low	10	2	7	2	0	0	0	6
Those in low paying occupations	9	5	16	2	0	0	6	7
Those whose payments have been deferred for a number of years	15	3	14	4	7	0	6	9
Those with particularly heavy college loan indebtedness	20	7	12	4	4	0	17	16
Students from families with low incomes (viz $4,000 per year or less)	8	2	2	6	7	0	6	5

15. What has been your experience so far in the collection of interest payments from the Federal Government?

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
Very good	43	37	60	58	54	0	63	45
Satisfactory	53	53	37	42	37	100	29	49
Unsatisfactory	4	10	3	0	9	0	8	6

16. On guaranteed loans to students, do you require:

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
From minors a co-maker? Yes	31	45	0	8	13	0	28	28
From minors an endorser? Yes	13	20	6	4	15	0	16	13
From borrowers who are not minors, a co-maker? Yes	15	9	0	3	7	0	14	10
From borrowers who are not minors, an endorser? Yes	8	8	4	3	15	0	5	7

17. How do you compute interest on your guaranteed loans to students during the repayment period?

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
Daily average balance	31	17	61	35	21	14	13	29
Actual daily balance	50	66	29	51	58	72	52	54
Average quarterly balance	19	17	10	14	21	14	35	17

18. Of all the money your institution has loaned to students on a guaranteed loan basis since January 1966, what proportion do you estimate will be collected by your institution prior to turning delinquent accounts, if any, over to your guarantee agency?

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
98% or more	35	60	50	52	48	50	70	50
95 - 97%	38	21	39	36	16	50	15	30
90 - 94%	17	13	9	7	20	0	5	14
80 - 89%	7	2	2	0	16	0	10	4
70 - 79%	1	3	0	3	0	0	0	1
69% or less	2	1	0	2	0	0	0	1

19. Would you be in favor of a non-profit, centralized agency on the state level handling billings and payments on guaranteed loans?

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	TOTAL
Yes, for all guaranteed loans to students	29	38	45	34	28	50	21	33
Yes, for only some of the loans	1	1	8	1	13	10	0	2
No, we prefer to do it ourselves	47	41	35	41	53	20	59	45
Hard to say	23	20	12	24	6	20	20	20

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	Total
20. Do you prefer to give the money from the guaranteed loan directly to the student or should a check be mailed to the student in care of the college?								
Funds should be given directly to the student	47	34	90	83	57	78	44	52
A check should be mailed to the student in care of the college	53	66	10	17	43	22	56	48
21. If students and/or colleges strongly preferred, would your institution object to disbursing the loans in two equal amounts; once in the fall term and once for the spring term?								
Yes	51	66	74	44	23	25	18	44
No	49	34	26	56	77	75	82	56

D. NATIONAL VOCATIONAL STUDENT LOAN INSURANCE ACT OF 1965

	Com banks Large	Com banks Small	Mut svgs banks Large	Mut svgs banks Small	Savings & loan assns Large	Savings & loan assns Small	Credit union	Total
1. Have you made any loans to vocational students with state or private guarantee provided by this legislation?								
Yes	39	30	72	37	20	40	25	38
No	61	70	28	63	80	60	75	62
2. IF YOU CHECKED "yes" in 1: In comparison with the guaranteed loans to other than vocational students, do you consider the acquisition procedures:								
More difficult	5	3	0	0	0	0	0	3
About the same	94	95	97	100	100	100	100	96
Less difficult	1	2	3	0	0	0	0	1
3. IF YOU CHECKED "Yes" in 1: Do you feel that vocational students are a greater credit risk than other college students:								
No, there is no difference	76	85	84	90	100	100	100	83
Vocational students are worse credit risks	21	14	13	10	0	0	0	15
Vocational students are better credit risks	3	1	3	0	0	0	0	2
4. Does your institution have a maximum percentage that loans to vocational students would bear to your total of student guarantee loans?								
Yes	1	1	0	0	0	0	14	1
No	99	99	100	100	100	100	86	99

Note: Percentages are based on those answering the questions and are rounded so that they will total 100%.

B-1078

FINAL RESULTS FROM A QUESTIONNAIRE RETURNED BY 160 VOCATIONAL AND TECHNICAL SCHOOLS ELIGIBLE TO HAVE THEIR STUDENTS PARTICIPATE IN THE VOCATIONAL STUDENT LOAN PROGRAM IN RESPONSE TO THE COLLEGE ENTRANCE EXAMINATION BOARD REVIEW OF FEDERAL LOANS TO STUDENTS

George Nash and Patricia Nash
Columbia University
Bureau of Applied Social Research
October 31, 1967

Responses to the Vocational School Questionnaire as of 10/27/67

	Number	Didn't answer because not applicable	Answered after cut-off date	Eligible to reply	Answered	%
Proprietary schools non-correspondence	59	1	2	56	38	68%
Proprietary schools correspondence	24	1	1	22	8	37
Private non-profit schools (primarily technical and health-related)	158	15	7	136	59	43
Public (primarily vocational and technical)	84	19	3	62	55	89
Total	325	36	13	276	160	58%

Procedure:

Questionnaires were sent to vocational schools in only 11 states (Colorado, Massachusetts, Minnesota, Missouri, New Jersey, New York, Pennsylvania, South Dakota, South Carolina, Texas, Wisconsin). These are the only ones where a substantial number of Guaranteed Vocational Student Loans have been made. (The reasons that more states have not participated are administrative and not due to the schools in those states. We felt that the schools which are not able to participate due to problems in their state would have little to contribute.) We mailed the questionnaire to 100% of the 83 proprietary schools and 50% of the 242 public and non-profit schools.

We used the list of eligible institutions furnished by the Office of Education (dated November 1966, with supplements dated January 1967 and February 1967). Questionnaires were mailed in August 1967 and two follow-ups were sent to non-respondents.

Analysis:

The responses from the four types of schools were so different from one another, that we have provided tabulations on three types of schools and excluded proprietary correspondence schools because there were only eight respondents.

Responses to the Vocational School Questionnaire

A. ABOUT YOUR INSTITUTION	Proprietary (primarily business)	Private non-profit (primarily technical)	Public (vocational and technical)
3. Are all your regular students required to have completed high school or the equivalent?			
Yes	92 %	100 %	52 %
No	8	0	48
4. IF NO: What proportion of your regular students would you estimate have completed high school or the equivalent?	100	100	68
5. What was your total enrollment in May, 1967? (average number of students)	270	47	200
6. What number of clock hours of instruction per month did the average student at your institution take in May, 1967? (average number of hours per month)	112	102	112
7. What was the average charge for one clock hour of instruction for a student at your institution in May, 1967? (average clock hour charge for those whose instruction can be estimated in that fashion)	$.80	-	-
8. Approximately what proportion of your students are women (as of May, 1967)?			
25% or less	11	3	60
9. Is your institution presently accredited by a nationally recognized accrediting agency?			
Yes	100	93	61
No, but it probably will be within the next year	0	3	15
No	0	3	24

Note: Percentages are based on those answering the question and are rounded so that they will total 100%.

B. GENERAL	Proprietary (primarily business)	Private non-profit (primarily technical)	Public (vocational and technical)
2. Does your institution provide the following types of financial aid to some of your students?			
a) Scholarships from your own funds (as opposed to state or Federal funds)	16%	24%	11%
b) Loans from your own funds (as opposed to state or Federal funds)	29	7	13
c) Jobs while the student is in school	64	50	62
3. The Federal government offers three types of aid to students at colleges and universities. (Under those three programs, money is allocated to the institution and the institution must disburse the funds, maintain records, and file reports. The institution must also match Federal funds with some funds of its own.) If vocational and technical institutions were eligible, in which, if any, of the three programs do you think you would participate?			
a) National Defense Student Loan program (loans for students with financial need)	65	49	51
b) Educational Opportunity Grant program (scholarships for students with financial need)	46	50	48
c) College Work-Study program (jobs for students in need of earnings to pursue their course of study)	40	24	51
4. Do you presently evaluate the financial situation of any of your students to determine if they really need loans or scholarships?			
Yes	61	21	48
No, but we probably will begin to within the next year	8	13	12
No	31	66	40

B. General (cont'd)

	Proprietary (primarily business)	Private non-profit (primarily technical)	Public (vocational and technical)
5. IF YES: What is your usual method of determining the student's need?			
The Parents' Confidential Statement of the College Scholarship Service	30%	20%	32%
Income Tax Method	22	0	12
Office of Education Alternate Method	0	0	0
Our own form	48	33	60
Other	22	53	32
6. Congress is currently considering a bill permitting up to $325 of college or vocational school costs to be deducted from income tax payments. How much do you think that this would help the students at your institution?			
A great deal	50	29	43
Somewhat, but not much	29	25	29
It would probably not help our students	21	46	28

C. NATIONAL VOCATIONAL STUDENT LOAN PROGRAM

	Proprietary (primarily business)	Private non-profit (primarily technical)	Public (vocational and technical)
1. a) How clear are the instructions ... received by your institution from the agency that administers Guaranteed Loans in your state?			
Very clear	49	9	18
Fairly clear	24	28	31
Unclear	11	11	8
Can't say, we haven't seen them	16	52	43
b) How clear are the instructions received by your institution from the U.S. Office of Education?			
Very clear	39	10	14
Fairly clear	31	36	30
Unclear	14	6	12
Can't say, we haven't seen them	16	48	44

C. National Vocational Student Loan Program (cont'd)

	Proprietary (primarily business)	Private non-profit (primarily technical)	Public (vocational and technical)
3. Is your institution in regular contact with a bank (or banks or other lenders) in connection with your students' applications for Guaranteed Loans?			
Yes	69	15	25
No	31	85	75
4. IF YES: Do you have one or more banks (in your state) to which you can recommend students applying for Guaranteed Loans with some chance of their getting such loans?			
Yes	93	50	68
No	7	50	32
5. Do you recommend to the student the amount to be borrowed on Guaranteed Loans (for students in your state)?			
Yes, in most cases	72	7	21
Yes, in some, but not in most	6	10	18
In only a few cases	6	0	8
Not at all	16	83	53

	Proprietary (primarily business	Private non-profit (primarily technical)	Public (vocational and technical)
6. Do you recommend to the bank the amount to be borrowed on Guaranteed Loans (for students in your state)?			
Yes, in most cases	57%	3%	15%
Yes, in some, but not in most	3	3	10
In only a few cases	9	5	5
Not at all	31	89	70
7. IF YES: Have your recommendations been followed by the bank?			
Yes, in most cases	90	43	82
Yes, in some, but not in most	5	0	0
In only a few cases	0	0	0
Not at all	5	57	18
8 Do you think that your institution should specify the maximum amount that could be loaned to a student under the Guaranteed Loan program?			
a) If the student has financial need			
Yes, definitely	40	14	28
Yes, probably	18	19	31
No	33	43	26
Hard to say	9	24	15
b) If the student does not have need			
Yes, definitely	27	18	25
Yes, probably	21	12	14
No	40	45	34
Hard to say	12	25	27
9. How long before he is to enroll in school should a student be able to receive notification that he will be awarded a Guaranteed Loan?			
More than 90 days	15	26	13
60 - 90 days	18	29	34
30 - 59 days	32	26	20
Less than 30 days	12	5	11
Hard to say	23	14	22

	Proprietary (primarily business)	Private non-profit (primarily technical)	Public (vocational and technical)
10. From the experience of your institution how much trouble do the following types of students have getting Guaranteed Loans (of those who are eligible for them)? (% considerable trouble)			
a) Out-of-state students	16%	3%	13%
b) Students from large metropolitan areas	16	0	3
c) Students from rural areas	13	3	3
d) Racial minority group students	7	0	3
e) Students from low income (viz $4,00 per year or less)	16	3	7
f) Students from high income familes	13	4	10
g) Entering students	10	3	3
h) Students over 30	13	0	3
i) Unemployed students	13	0	7
j) Heads of households	7	4	4
k) Part-time students	27	0	7
l) Women students	3	3	7
m) Students who are unknown at the bank to which they have applied (no individual or family account).	23	7	33
11. Would you prefer that the bank give the money from the Guaranteed Loan directly to the student, or should a check be mailed to your institution in care of the student?			
Funds should be given directly to the student	31	47	51
A check should be mailed to our institution in care of the student	69	53	49
12. Should the Guaranteed Loan funds be disbursed in one sum or should two equal disbursements be made, one early in the year, and one later in the year?			
Disburse once a year only	70	38	28
Make two equal disbursements	30	62	72

13. At present the act permits a student to borrow up to $1,000 for 900 clock hours in one year, or $2,000 in total for all training in a vocational school. Considering the needs of your students, not only for tuition but for living costs, and at the same time being aware of possible repayment problems, what do you think of each limit?

	Proprietary (primarily business)	Private non-profit (primarily technical)	Public (vocational and technical)
a) The $1,000 yearly limit is:			
Too low	28%	19%	20%
About right	72	75	70
Too high	0	6	10
b) The $2,000 total is:			
Too low	13	27	16
About right	74	53	62
Too high	13	20	22

15. How good a job would you say your State Loan Agency has done in acting quickly on applications for Guaranteed Loans this Academic Year 1966-67 (or the United Student Aid Fund if they administer the program in your state)?

	Proprietary (primarily business)	Private non-profit (primarily technical)	Public (vocational and technical)
Very good	51	26	12
Fairly good	17	13	9
Fairly poor	6	3	6
Very poor	6	0	9
Hard to say	20	58	64

16. Prior to the Guaranteed Loan program, did you have an arrangement with a bank in your area so that your students could either borrow to pay their tuition or pay their tuition installments over a longer period of time?

	Proprietary (primarily business)	Private non-profit (primarily technical)	Public (vocational and technical)
Yes, and we still do	25	10	9
Yes, but we discontinued it	17	0	0
No	58	90	91

17. IF YES: What proportion of your students would you estimate took advantage of this arrangement in the year ending June 30, 1966?

	Proprietary (primarily business)	Private non-profit (primarily technical)	Public (vocational and technical)
More than 10%	53	20	16

19. Do you think that banks in your area presently discriminate in favor of students at accredited four-year (non-vocational) colleges and against students at your institution?

	Proprietary (primarily business)	Private non-profit (primarily technical)	Public (vocational and technical)
Yes, definitely	13%	3%	3%
Yes, probably	13	8	5
No	63	22	38
Hard to say	11	67	54

B-1078

FINAL RESULTS FROM A QUESTIONNAIRE RETURNED REPRESENTING AID DIRECTORS AT 162 HEALTH PROFESSIONS SCHOOLS IN RESPONSE TO THE COLLEGE ENTRANCE EXAMINATION BOARD REVIEW OF FEDERAL LOANS TO STUDENTS

George Nash and Patricia Nash
Columbia University
Bureau of Applied Social Research
November 30, 1967

Responses to Health Professions Questionnaires
as of 10/30/67

Type	Number sent out	Answered after cut-off date	Eligible to reply	Answered	Percent
Medical	88	1	87	75	86%
Pharmacy	45	1	44	35	80
Dental	45	1	44	39	89
Optometry	10	-	10	8	80
Osteopathic	5	-	5	4	80
Podiatry	2	-	2	1	50
Total	195		192	162	84

Responses to the Health Professions Questionnaire

A. THE ORGANIZATION OF FINANCIAL AID TO HEALTH PROFESSIONS STUDENTS AT YOUR INSTITUTION

3. Approximately what part of your working week is devoted to student financial aid administration? (Consider financial aid as scholarships, loans, and/or term-time jobs. If it varies estimate for the entire year.)

	Medical	Pharmacy	Dental	Total
70 percent or more	39%	68%	64%	40%

4. a) Do you perform other work at your institution on a regular basis in addition to administering aid?

	Medical	Pharmacy	Dental	Total
Percent saying yes	70	47	51	70

b) IF YES: What functions other than aid administration do you perform?

	Medical	Pharmacy	Dental	Total
Admissions work	45	30	23	63
Business office	12	3	18	21
Teaching	32	14	26	47
Placement (jobs after graduation)	8	9	0	11
Student personnel work	30	14	15	40
Other	38	14	28	52

5. Do you administer the Nursing Student Loan program at your institution?

	Medical	Pharmacy	Dental	Total
Percent saying yes	40	43	50	30

6. Which of the following types of financial aid does your office administer to health professions students?

	Medical	Pharmacy	Dental	Total
Institutional scholarships	79	74	67	84
Institutional loans	91	80	87	89
Health Professions Student Loans (HPSL)	99	94	100	99
National Defense Student Loans (NDSL)	37	66	49	45
Educational Opportunity Grants (EOG)	25	63	39	38
College Work-Study program (CWS)	33	71	51	46
Term-time jobs <u>on</u> campus	36	43	46	44
Term-time jobs <u>off</u> campus	29	46	33	34
Health Professions Scholarship program (HPS)	88	86	87	92

1. What do you think is the maximum amount a health professions student should be allowed to borrow from all sources by the time he reaches his first professional graduate degree such as the M.D. or the D.D.S. (excluding temporary short-term loans, but including undergraduate loans)?

	Medical	Pharmacy	Dental	Total
Percent saying $10,000 or more	77%	62%	91%	74%

2. When an incoming student applies for financial aid, what is the usual method of determing the student's need?

Parents' Confidential Statement	40	69	51	46

3. How clear are the instructions received by your office on each of the following programs that you administer? (% saying very clear)

HPSL	58	47	46	55
Cuban Refugee Loan	57	55	39	55
Guaranteed Loan (instructions from the agency that administers them in your state)	38	24	27	32
HPS	53	55	42	54

6. Would you please indicate if the amounts received were adequate for the needs of your health professions students, inadequate or more than adequate: (% saying inadequate)

HPSL	42	17	41	42
HPS	56	18	42	41

8. IF THE 1966-67 ACADEMIC YEAR ALLOCATION FOR HPSL WAS LESS THAN ADEQUATE, is it because you were limited in the amount you were permitted to request by the difficulty in raising your institution's matching share of funds?

Percent saying yes	19	18	8	21

9. How successful in providing for the needs of health professions students would you say each of the following programs is at your school? (% saying very successful of those participating and administering the program)

HPSL	64	80	54	65
Guaranteed Loan program	22	27	26	23
Cuban Refugee Loan program	61	80	73	63
HPS	39	82	49	50

10. If Congress passes the bill permitting up to $325 of college costs to be deducted from income tax payments, do you think that this would reduce the need for aid funds for health professions students at your school?

	Medical	Pharmacy	Dental	Total
Yes, substantially	0%	3%	0%	2%
Yes, but not by much	41	34	33	41
No, not at all	46	49	57	44
Hard to say	13	14	10	15

C. HEALTH PROFESSIONS STUDENT LOAN PROGRAM (HPSL)

1. a) Does your institution participate in the HPSL program?

	Medical	Pharmacy	Dental	Total
Percent saying yes	100	100	100	100

2. Do you presently plan to decrease (or have you decreased) the size of your request for HPSL funds because you expect aid applicants to be able to get loans under the Federally-assisted Guaranteed Loan Program?

	Medical	Pharmacy	Dental	Total
Percent saying yes	3	3	10	3

3. If Guaranteed Loans were readily available for health professions students, would you reduce or eliminate HPSL?

	Medical	Pharmacy	Dental	Total
Percent saying yes	16	6	16	11

4. Please indicate your experience with each of the following aspects of the Health Professions Student Loan program: (% saying very satisfactory)

	Medical	Pharmacy	Dental	Total
Timing on notification of availability of funds	13	12	13	15
Assessing need of applicants	37	54	32	36
Your ability to make a firm commitment to a needy student	35	40	24	34
Your ability to determine who will receive funds	53	68	57	54
Your ability to package HPS loans with other aid	45	51	38	44
Determining eligibility for deferment	18	16	26	19
Your experience with collection	15	15	17	13
Assistance from the branch of PHS that administers the program	53	54	61	55

C. Health Professions Student Loan Program (cont'd)

5. When should your office have (or have had) your HPSL allocation from PHS in order to award HPS Loans for the Fall term of the Academic Year 1967-68?

	Medical	Pharmacy	Dental	Total
Percent saying May 31, 1967 or earlier	83%	85%	87%	78%

6. a) Are you responsible for HPSL collections?

	Medical	Pharmacy	Dental	Total
Percent saying yes	30	23	57	30

7. a) Does your institution presently conduct exit interviews and make repayment arrangements with graduating students?

	Medical	Pharmacy	Dental	Total
Percent saying yes, in all or most cases	88	92	100	91

b) Does your institution presently conduct exit interviews and make HPS Loan repayment arrangements with students who are leaving before completion of their program (for example, those who are dropping out or transferring)?

	Medical	Pharmacy	Dental	Total
Percent saying yes, in all or most cases	80	80	82	82

8. The National Defense Student Loan program offers the following options not presently available in HPSL. Would you be in favor of each at your school for use with some of your HPS Loan accounts? (% saying yes)

	Medical	Pharmacy	Dental	Total
Permitting repayments less than the amount due	37	30	34	38
Assessment of penalty charges	50	61	68	51

9. How frequently would you prefer to bill most students currently graduating with HPS Loans?

	Medical	Pharmacy	Dental	Total
Monthly	21	27	19	16
Bi-monthly	0	0	0	0
Quarterly	38	46	46	37
Annually	41	27	35	47

10. The length of the grace period that health professions students have before they must begin to repay HPS Loans is 3 years. This compares to 9 months for NDS Loan borrowers. Would you please indicate what grace period you prefer for HPS Loans?

	Medical	Pharmacy	Dental	Total
3 years (the present period)	47	47	60	52

11. Of all the money your college has loaned to date under the HPSL program, what proportion do you estimate will be collected by your institution?

	Medical	Pharmacy	Dental	Total
98% or more	42%	55%	45%	41%
95 - 98	33	26	41	31
90 - 95%	19	15	11	19
Less than 90%	6	4	3	9

12. Would you be in favor of a non-profit, centralized collection service specializing in student loans?

Yes, for all HPS Loans	27	25	22	31
Yes, for only those that we desire to turn over for collection	48	56	48	48
No, we are opposed to centralized collection	25	19	30	21

D. GUARANTEED LOAN PROGRAM

1. Have health professions students from your school attempted to make loans under the Guaranteed Loan program?

Yes	82	97	96	91
No, but they probably will in the future	7	3	2	4
No and they probably won't in the future	11	0	2	5

3. Is your institution in regular contact with a bank (or banks or other lenders) in connection with your health professions student applications for Guaranteed Loans?

Percent saying yes	38	62	57	45

4. IF YES: Do you have one or more banks (in your state) to which you can recommend health professions students applying for Guaranteed Loans with some chance of their getting such loans?

Percent saying yes	72	77	71	69

5. Do you recommend to the health professions student the amount to be borrowed on Guaranteed Loans? (for students in your state)

Yes, in most cases	41	28	36	38
Yes, in some but not in most	12	20	17	17
In only a few cases	22	31	22	19
Not at all	25	21	25	26

6. Do you recommend to the bank the amount to be borrowed on Guaranteed Loans? (for health professions students in your state)

Yes, in most cases	58	55	50	57
Yes, in some but not in most	6	3	11	7
In only a few cases	12	21	11	12
Not at all	24	21	28	24

D. Guaranteed Loan program (cont'd)

7. IF YES: Have your recommendations been followed by the bank?

	Medical	Pharmacy	Dental	Total
Yes, in most cases	97%	91%	92%	94%
Yes, in some but not in most	3	4	8	4
In only a few cases	0	0	0	0
Not at all	0	5	0	2

8. Do you think that your institution should specify the maximum amount that could be loaned to a health professions student under the Guaranteed Loan program?

	Medical	Pharmacy	Dental	Total
a) If the student has financial need				
Yes, definitely	55	43	42	49
Yes, probably	22	20	28	19
b) If the student does not have need				
Yes, definitely	41	43	34	41
Yes, probably	14	13	17	13

9. When should a health professions student be able to receive (or have received) notification of the availability of a Guaranteed Loan for the Fall of the Academic Year 1967-68?

	Medical	Pharmacy	Dental	Total
Percent saying May 31, 1967 or earlier	35	50	30	37

10. From the experience of your school how much trouble do the following types of health professions students have getting Guaranteed Loans? (of those that are legally entitled to them) (% saying considerable trouble)

	Medical	Pharmacy	Dental	Total
a) Out of state students	38	14	36	25
b) Students from large metropolitan areas	14	14	12	11
c) Students from rural areas	10	10	19	10
d) Racial minority group students	4	13	8	7
e) Students from low income families (viz $4,000 per year or less)	6	20	14	9
f) Students from high income families	13	3	6	7
g) First-year students	6	7	29	6
h) Transfer students	6	7	0	5
i) Enrolled students	2	10	3	3
j) Women students	0	7	0	2
k) Students who are unknown (no individual or family account) at the bank to which they have applied	34	43	40	37

D. Guaranteed Loan program (cont'd)

11. Would you prefer that the bank give the money from the Guaranteed Loan directly to the health professions student, or should a check be mailed to your institution in care of the student?

	Medical	Pharmacy	Dental	Total
A check should be mailed to our institution in care of the student	49%	39%	53%	55%

12. Should Guaranteed Loan funds be disbursed in one sum in the fall or should two equal disbursements be made, one in the fall and one in the spring?

Make two equal disbursements	84	88	73	75

13. How good a job would you say your State Loan Agency has done in acting quickly on applications for Guaranteed Loans this Academic Year 1966-67? (or the United Student Aid Fund if they administer the program in your state)

Percent saying very good	30	22	27	25

E. NATIONAL DEFENSE STUDENT LOAN PROGRAM

1. Is your institution presently using or considering the use of an outside collection agency on a regular basis for collection of NDS Loans from health professions students?

Yes, we are presently using a collection service for all NDS loans	3	0	0	2
Yes, we are using a collection service, but only for delinquent accounts	3	3	0	4
We are considering the use of a collection service	78	23	29	20
No	16	74	71	74

2. With regard to health professions students who are delinquent on NDSL repayment: (% saying yes)

a) Do you prohibit the release of transcripts?	82	84	91	76
b) Have you written any strong letter suggesting that they may be subject to legal action?	84	72	78	81
c) Have you turned any accounts over to either a lawyer or a collection agency?	34	28	44	31
d) Do you have salaries garnisheed?	2	0	4	3

E. National Defense Student Loan program (cont'd)

3. Are you familiar with your institution's collection experience with NDS Loans to health professions students?

	Medical	Pharmacy	Dental	Total
Percent saying yes	57%	42%	69%	55%

4. To what extent do the following categories contribute to NDS Loan delinquent accounts for health professions students at your school? (% saying frequently)

	Medical	Pharmacy	Dental	Total
a) Dropouts or withdrawals	22	8	17	20
b) Students who transferred in good standing to other institutions	7	0	0	4
c) Girls who have married	7	0	0	4
d) Those whose payments have been deferred for a number of years	7	0	0	4
e) Those with particularly heavy loan indebtedness	19	0	23	18
f) Students from families with low income (viz $4,000 per year or less)	3	0	0	2
g) Those who have met with lack of career success	19	9	18	20
h) Other	14	33	20	21

F. AMERICAN MEDICAL ASSOCIATION LOAN GUARANTEE PROGRAM (AMA Loan)

1. Did any of your students receive loans under the AMA Loan program this Academic Year 1966-67?

	Medical	Pharmacy	Dental	Total
Percent saying yes	77	-	-	77

3. a) How successful were AMA Loans in providing for the needs of health professions students at your school this Academic Year 1966-67?

	Medical	Pharmacy	Dental	Total
Very successful	7	-	-	7
Somewhat successful	44	-	-	44
Unsuccessful	49	-	-	49

4a. Average number of students receiving aid under each program. (of those participating and answering)

	Medical	Pharmacy	Dental	Total
HPSL	122	38	214	138
NDSL	0	61	35	24
EOG	0	22	6	6
CWS	2	39	40	19
HPS	19	14	35	23

4b. Frequency of type of loan package. (of those who knew)

How frequently have HPSL recipients also received: (% saying very frequently)

	Medical	Pharmacy	Dental	Total
NDSL	0	0	0	0
EOG	0	5	0	4
CWS	6	5	15	8
HPS	30	44	32	27
Guaranteed Loans	39	13	26	24
Other	18	14	8	14

5. Allocation from Office of Education. (average of those participating and answering)

	Medical	Pharmacy	Dental	Total
HPSL	$147,000	$35,000	$214,000	$158,000
HPS	21,000	15,000	35,000	25,000

7. IF ANY OF THESE ALLOCATIONS WERE EITHER INADEQUATE OR MORE THAN ADEQUATE for the needs of your health professions students for the 1966-67 Academic Year, will you please estimate by how much they were inadequate or more than adequate. (average of those answering)

	Medical	Pharmacy	Dental	Total
HPSL inadequate	59,000	*	86,000	71,000
more than adequate	47,000	*	*	38,000
HPS inadequate	28,000	*	41,000	34,000
more than adequate	9,000	6,000	*	9,000

* Fewer than five cases

B-1078

FINAL RESULTS FROM A QUESTIONNAIRE RETURNED BY 278 SCHOOLS OF NURSING IN RESPONSE TO THE COLLEGE ENTRANCE EXAMINATION BOARD REVIEW OF FEDERAL LOANS TO STUDENTS

George Nash and Patricia Nash
Columbia University
Bureau of Applied Social Research
November 17, 1967

RESPONSES TO THE NURSING SCHOOL QUESTIONNAIRE AS OF 11/17/67

Type of Institution	Number sent out	Didn't answer because not participating or answered after cut-off date	Eligible to reply	Answered	%
Baccalaureate	104	25	79	51	65%
Associate Degree	207	37	170	101	59
Hospital Diploma	185	35	150	108	72
Graduate	36	5	31	18	57
Total	532	102	430	278	64%

A. THE ORGANIZATION OF FINANCIAL AID TO NURSING STUDENTS AT YOUR INSTITUTION

1. Approximately what part of your working week is devoted to student financial aid administration? (Consider financial aid as scholarships, loans, and/or term-time jobs. If it varies, estimate for the entire year.)

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
70 percent or more	51%	28%	3%	59%	25%
2. a) Do you perform other work at your institution on a regular basis in addition to administering aid?					
Percent saying yes	78	84	100	41	86
b) IF YES: What functions other than aid administration do you perform?					
Admissions	27	28	45	25	35
Business office	17	7	17	0	13
Teaching	24	33	34	25	31
Placement (jobs after graduation)	7	33	3	38	15
Student personnel work	42	54	31	38	41
Other	61	53	95	88	75
3. Do you administer financial aid to: (% saying yes)					
a) Nursing students, undergraduate	98	92	95	100	95
b) Nursing students, graduate	-	-	-	94	14
c) Other health related students	51	47	6	53	34
d) Non-health related graduate students	39	-	-	79	15
e) Non-health related undergraduates	76	76	-	72	49
6. Is the control of your institution:					
Public	35	84	11	45	44
Private, non-sectarian, non-profit	16	5	40	22	22
Private, religious, non-profit	49	11	45	33	33
Private, proprietary	0	0	0	0	0
Other	0	0	4	0	1

- indicates the question does not apply

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
7. Which of the following types of financial aid does your office administer to nursing students?					
Institutional scholarships	84%	68%	73%	77%	74%
Institutional loans	58	58	69	78	64
Nursing Student Loan Program (NSL)	80	49	79	100	70
National Defense Student Loan Program (NDSL)	63	52	-	69	40
Opportunity Grant Program for Nursing Education (NEOG)	50	23	26	60	33
Educational Opportunity Grant Program (EOG)	74	63	-	64	46
College Work-Study Program (CWS)	67	66	-	75	49
Part-time jobs on campus	54	65	32	47	50
Part-time jobs off campus	35	46	11	40	32
Federal graduate traineeships or fellowships for graduate nurses	14	-	-	29	7

B. GENERAL

1. What do you think is the maximum amount per year an undergraduate should be allowed to borrow from all sources (excluding temporary short-term loans)? (By this we mean the net amount after potential cancellation such as allowed by the Nursing Student Loan program.)

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Percent saying $1,250 or less	60	75	70	69	69

2. IF YOUR INSTITUTION HAS GRADUATE STUDENTS, what do you think is the maximum amount a graduate student should be allowed to borrow from all sources by the time she reaches the Ph.D. level (excluding temporary short-term loans, but including undergraduate loans)? (By this we mean the net amount after potential cancellation such as allowed by both the Nursing Student Loan program and the National Defense Student Loan program.)

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Percent saying $7,500 or less	-	-	-	50	50

3. When an incoming student applies for financial aid, what is the usual method of determining the student's need?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
The Parents' Confidential Statement of the College Scholarship Service	76	45	14	67	41

4. How clear are the instructions received by your institution on each of the following programs? (% saying very clear of those participating and administering)

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
NSL	55%	49%	37%	47%	45%
NEOG	50	37	16	37	32
Cuban Refugee Loan	37	39	-	45	38
Guaranteed Loan (instructions from the agency that administers them in your state)	40	39	57	35	42

5. Given the fact that Federal funds are involved, how reasonable are the reporting procedures required by Public Health Service (PHS) and the Office of Education (USOE) for each of the following programs? (% saying unreasonable of those participating)

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
NSL	7	10	1	6	6
NEOG	5	19	0	33	12
Cuban Refugee Loan	8	7	-	0	4

8. Would you please indicate if the amounts received in the Academic Year 1966-67 were adequate for the needs of nursing students at your institution, inadequate or more than adequate: (% saying inadequate of those participating)

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
NSL	8	30	15	6	15

10. IF THE 1966-67 ACADEMIC YEAR ALLOCATION FOR NSL WAS LESS THAN ADEQUATE, is it because you were limited in the amount you were permitted to request by the difficulty in raising your institution's matching share of the funds?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Percent saying yes	0	19	8	0	10

B. General (cont'd)

11. IF YOUR ALLOCATION FOR NSL FOR THE ACADEMIC YEAR 1966-67 WAS MORE THAN YOU NEEDED, would you please indicate the reasons:

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
We were notified about the size of our allocation too late	42%	24%	13%	0%	19%
The $1,000 limit is too low and the students borrowed their entire needs elsewhere	17	0	6	13	7
Nursing students are reluctant to borrow	25	29	28	0	25
A number who might have borrowed didn't meet our standards of eligibility	17	24	22	0	19
There was less need than we imagined	17	35	34	50	33
Other	42	41	31	38	36

12. Do you feel: (% saying yes)

a) That a large number of women nursing students are reluctant to take loans to pay for their education?	18	25	36	11	27
b) That non-white nursing students are less willing to take loans than are white nursing students?	7	6	1	6	4
c) The RN's working for their BS are as likely to take loans as other nursing students?	63	-	-	53	60

13. How successful in providing for the needs of nursing students during the Academic Year 1966-67 would you say each of the following programs was at your institution? (% saying very successful of those participating)

NSL	68	64	76	88	73
Guaranteed Loan Program	36	39	59	27	38
Cuban Refugee Loan Program	50	70	-	0	47

14. How successful do you feel that each of the following programs will be in providing for the needs of nursing students at your institution during the Academic Year 1967-68? (% saying very successful of those participating or planning to)

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
NSL	78%	78%	83%	94%	82%
NEOG	75	39	78	58	68
Guaranteed Loan Program	37	42	55	30	41
Cuban Refugee Loan Program	45	70	-	0	43

15. Congress is currently considering a bill permitting up to $325 of educational costs to be deducted from income tax payments. By how much do you think this would reduce the need for aid funds for nursing students at your institution?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
It would substantially reduce the amount we would need	0	9	4	0	5
It would reduce the amount, but not by much	28	29	19	28	25
It would probably not reduce the amount we would need	55	42	40	50	45
Hard to say	17	20	37	22	25

C. NURSING STUDENT LOAN PROGRAM (NSL) (All but 1a answered only by participants.)

1. a) Does your institution participate in the NSL Program?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Percent saying yes	94	46	76	100	70

2. Do you presently plan to decrease (or have you decreased) the size of your request for NSL funds because you expect aid applicants to be able to get loans under the Federally-assisted Guaranteed Loan Program?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Percent saying yes	2	0	3	0	2

3. If Guaranteed Loans were readily available for nursing students, would you reduce or eliminate NSL?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Percent saying yes	2	8	6	6	5

4. Please indicate your experience with each of the following aspects of the Nursing Student Loan Program: (% saying very satisfactory)

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
a) Timing on notification of availability of funds	14%	19%	35%	29%	25%
b) Assessing need of applicants	68	52	36	53	50
c) Your ability to make a firm commitment to a needy student	36	27	42	53	38
d) Your ability to determine who will receive funds	66	55	51	71	57
e) Your ability to package NS loans with other aid	66	55	17	53	42
f) Determining eligibility for deferment	37	11	12	35	20
g) Your experience with collection	17	16	13	35	17
h) Assistance from that branch of PHS that administers the program	49	48	59	41	52

6. When should your office have (or have had) your NSL allocation from PHS in order to award NS Loans for the Fall term of the Academic Year 1967-68?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Percent saying May 31, 1967 or earlier	82	65	52	83	66

7. Do you feel that it is more difficult for your institution to collect funds owed by nursing students who don't go into nursing and therefore aren't eligible for cancellation?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Percent saying yes	25	23	24	22	24

8. Do you think that the cancellation feature of the NSL Program has increased the number of students who have completed the course in nursing at your institution and who have gone into nursing practice?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Percent saying yes	67	57	33	45	48

9. Which of the following best expresses your opinion regarding the cancellation feature of the NSL Program?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Increase the amount of cancellation	25	20	26	23	24
There should be no change	66	78	64	59	67
Eliminate all cancellation	9	2	10	18	9

10. a) Are you responsible for NSL collections?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Percent saying yes	44%	30%	53%	53%	46%

11. a) Does your institution presently conduct exit interviews and make repayment arrangements with graduating students?

Percent saying yes	98	87	93	94	93

b) Does your institution presently conduct exit interviews and make Nursing Student Loan repayment arrangements with students who are leaving before completion of their program (for example, those who are dropping out or transferring)?

Percent saying yes	91	79	88	61	85

12. The National Defense Student Loan Program offers the following options not presently available in NSL. Would you be in favor of each at your school for use with some of your Nursing Student Loan accounts? (% saying yes)

a) Permitting repayments less than the amount due	36	37	14	47	29
b) Assessment of penalty charges	45	56	26	18	38

13. How frequently would you prefer to bill most students currently graduating with Nursing Student Loans?

Monthly	21	22	26	18	23
Bi-Monthly	0	0	0	0	0
Quarterly	37	39	44	59	43
Annually	42	39	30	23	34

14. Of all the money your institution has loaned to date under the NSL Program, what proportion do you estimate will be collected by your institution (of the amount that is due, excluding cancellation)?

98% or more	45	33	30	63	41
95 - 98%	30	30	22	31	27
90 - 95%	13	27	26	6	20
Less than 90%	12	10	22	0	12

15. Would you be in favor of a non-profit, centralized collection service specializing in student loans?

Yes, for all Nursing Student Loans	40	53	64	35	52
Yes, but only for those that we desire to turn over for collection	44	36	30	30	35
No, we are opposed to centralized collection	16	11	6	35	13

D. GUARANTEED LOAN PROGRAM

1. Have nursing students from your school attempted to obtain loans under the Guaranteed Loan program?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Yes	72%	65%	27%	86%	54%
No, but they probably will in the future	21	20	29	7	23
No and they probably won't in the future	7	15	44	7	23

3. Is your institution in regular contact with a bank (or banks or other lenders) in connection with your nursing students' applications for Guaranteed Loans?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Percent saying yes	51	57	37	54	51

4. IF YES: Do you have one or more banks (in your state) to which you can recommend nursing students applying for Guaranteed Loans with some chance of their getting such loans?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Percent saying yes	81	72	72	75	75

5. Do you recommend to the nursing student the amount to be borrowed on Guaranteed Loans? (for students in your state)

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Yes, in most cases	33	37	28	43	35
Yes, in some but not in most	21	14	10	29	16
In only a few cases	18	14	10	7	14
Not at all	28	35	52	21	35

6. Do you recommend to the bank the amount to be borrowed on Guaranteed Loans? (for nursing students in your state)

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Yes, in most cases	44	42	31	61	42
Yes, in some but not in most	13	10	3	13	10
In only a few cases	15	6	3	6	8
Not at all	28	42	63	20	40

7. IF YES: Have your recommendations been followed by the bank?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Yes, in most cases	69	88	75	100	82
Yes, in some but not in most	27	7	8	0	12
In only a few cases	0	0	0	0	0
Not at all	4	5	17	0	6

8. Do you think that your institution should specify the maximum amount that could be loaned to a nursing student under the Guaranteed Loan program? (% saying yes)

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
a) If the student has financial need	73	61	34	92	61
b) If the student does not have need	52	58	38	66	53

9. When should a nursing student be able to receive (or have received) notification of the availability of a Guaranteed Loan for the Fall of the Academic Year 1967-68?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Percent saying May 31, 1967 or earlier	49%	39%	62%	28%	47%

10. From the experience of your school how much trouble do the following types of nursing students have getting Guaranteed Loans? (of those that are legally entitled to them) (% saying considerable trouble)

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
a) Out of state students	29	19	17	15	21
b) Students from large metropolitan areas	13	7	4	7	8
c) Students from rural areas	18	8	0	15	8
d) Racial minority group students	11	10	0	15	9
e) Students from low income families (viz $4,000 per year or less	20	13	4	15	13
f) Students from high income families	11	8	4	8	8
g) First-year students	16	8	0	23	10
h) Transfer students	14	5	0	0	6
i) Enrolled students	6	5	0	0	4
j) Married women students	8	3	0	0	4
k) Students who are unknown (no individual or family account) at the bank to which they have applied	43	32	7	38	31
l) Foreign students	50	31	8	42	32

11. Would you prefer that the bank give the money from the Guaranteed Loan directly to the nursing student, or should a check be mailed to your institution incare of the student?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
A check should be mailed to our institution in care of the student	59	46	39	57	50

12. Should Guaranteed Loan funds be disbursed in one sum in the Fall or should two equal disbursements be made, one in the Fall and one in the Spring?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Make two equal disbursements	65	87	45	75	70

13. How good a job would you say your State Loan Agency has done in acting quickly on applications for Guaranteed Loans this Academic Year 1966-67? (or the United Student Aid Fund if they administer the program in your state)

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Percent saying very good	42	27	26	43	32

E. NATIONAL DEFENSE STUDENT LOAN PROGRAM

1. Is your institution presently using or considering the use of an outside collection agency on a regular basis for collection of NDS Loans from nursing students?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Yes, we are presently using a collection service for all NDS Loans	13%	3%	0%	0%	5%
Yes, we are using a collection service, but only for delinquent accounts	6	6	0	17	6
We are considering the use of a collection service	6	21	20	33	19
No	75	70	80	50	70

2. With regard to nursing students who are delinquent on NDSL repayment: (% saying yes)

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
a) Do you prohibit the release of transcripts?	50	80	20	80	63
b) Have you written any strong letter suggesting that they may be subject to legal action?	62	86	50	80	73
c) Have you turned any accounts over to either a lawyer or a collection agency?	25	14	17	20	19
d) Have you had any salaries garnisheed?	0	5	17	0	4

3. Are you familiar with your institution's collection experience with NDS Loans to nursing students?

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
Percent saying yes	64	44	50	89	57

4. To what extent do the following categories contribute to NDS Loan delinquent accounts for nursing students at your school? (% saying frequently)

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
a) Dropouts or withdrawals	27	33	25	20	26
b) Students who transferred in good standing to other institutions	0	11	0	0	3
c) Girls who have married	0	11	25	0	6
d) Those whose payments have been deferred for a number of years	0	22	0	0	6
e) Those with particularly heavy loan indebtedness	18	11	0	30	18
f) Students from families with low incomes (viz $4,000 per year or less)	9	33	0	0	12
g) Those who have met with lack of career success	18	37	0	37	26
h) Other	0	-	0	0	0

4. What is the enrollment at your institution? (average of those answering)

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate
a) Number of Diploma nursing students	-	-	129	-
b) Number of Associate of Arts nursing students	-	89	-	-
c) Number of basic Baccalaureate nursing students	186	-	-	227
d) Number of Registered Nurses enrolled in a Baccalaureate program	40	-	-	46
e) Number of Masters Degree nursing students	-	-	-	63
f) Number of Doctoral Degree nursing students	-	0	0	1
g) Number of non-nursing students	872	898	11	878

5. What is the average yearly cost for tuition and fees for a full-time student at your institution?

Yearly tuition	$1,235	$502	$767	$1,399	$805

Section B

6. Average number of nursing students receiving aid under each program. (of those participating and answering)

NSL	41	18	32	64	33
CWS	12	11	-	47	15
NDSL	4	9	-	3	6
EOG	11	6	-	16	8

Frequency of type of loan package. (of those who knew)

How frequently have NSL recipients also received: (% saying very frequently)

CWS	19	77	-	19	11
NDSL	0	0	-	0	0
EOG	10	15	-	9	11
Guaranteed Loans	14	8	22	0	11
Other	14	8	33	28	20

	Bac. Degree	Assoc. Degree	Hospital Diploma	Graduate	Total
7. For the Academic Year 1966-67 what was your allocation from the Public Health Service or your approximate share of the institution's funds from the Office of Education for awards to nursing students on each of the following programs: (average of those participating)					
NSL	$26,000	$23,000	$19,000	$48,000	$24,000
9. IF ANY OF THESE ALLOCATIONS WERE EITHER INADEQUATE OR MORE THAN ADEQUATE for the needs of your nursing students for the 1966-67 Academic Year, will you please estimate by how much they were inadequate or more than adequate. (average of those answering)					
NSL inadequate	*	5,000	4,000	*	6,000
more than adequate	7,000	*	8,000	*	7,000

*Does not apply or less than 5 cases

PROCEDURE ON STATE INTERVIEWS

GUARANTEED LOANS

A Task Force to formulate plans and procedures for conducting state interviews was brought together in the CEEB offices on May 15, 1967. Attending were:

Jack B. Critchfield, Dean of Student Affairs, University of Pittsburgh - Chairman

Joseph D. Boyd, Executive Director, Illinois State Scholarship Commission

Elizabeth L. Ehart, Executive Director, New Jersey Higher Education Assistance Authority

Duffy L. Paul, Executive Director, College Foundation Inc., North Carolina

Kenneth R. Reeher, Executive Director, New Jersey Higher Education Assistance Agency; Chairman, National Conference of Executives of Higher Education Loan Plans

A subsequent series of staff discussions, both internal and with George and Patricia Nash of the Columbia University Bureau of Applied Social Research refined the plans and procedures, reduced them to writing, and planned the actual operation.

On May 29, 1967 Jack Critchfield and Graham Taylor met with the several men who were to do the interviewing, to brief them on the background and objectives of the study and to explain interview procedures, the memoranda for interviewers setting forth the kinds of information being sought, and the agency inquiry forms.

Following are:

1. List of interviewers and states handled.
2. List of interviewees in 48 states and District of Columbia.
3. Interview memorandum and inquiry form.

STATE INTERVIEW SCHEDULE

Roger Bernard, Assistant Dean of Fordham College, Fordham University
Ronald Betz, Assistant Director, Northeast Regional Office, College Entrance Examination Board
Ronald Brown, Fellow, Center for Study of Higher Education, University of Michigan
Jack Critchfield, Dean of Student Affairs, University of Pittsburgh
Harry Gerlach, Director, Southwest Regional Office, College Entrance Examination Board
Leo Gilchrist, Assistant Director, Midwest Regional Office, College Entrance Examination Board
Kingston Johns, Jr., Assistant Director, Southern Regional Office, College Entrance Examination Board
John J. O'Hearne, Assistant Director, Southwest Regional Office, College Entrance Examination Board
Duffy Paul, Executive Director, College Foundation Incorporated
Edward Sanders, Vice President, Director of Washington Office, College Entrance Examination Board

Roger Bernard

Connecticut
Delaware
Maryland
New Jersey
New York
Pennsylvania
Rhode Island

Ronald Betz

Maine
Massachusetts
New Hampshire
Vermont

Ronald Brown

Arizona
California
Colorado
Idaho
Montana
Nevada
Oregon
Utah
Washington
Wyoming

Jack Critchfield

Ohio

Harry Gerlach

Kansas
Nebraska
North Dakota
South Dakota
Illinois

Leo Gilchrist

Iowa
Minnesota
Missouri
West Virginia
Wisconsin
Michigan
Indiana

Kingston Johns

Florida
Kentucky
North Carolina
Tennessee

John J. O'Hearne

Arkansas
Louisiana
New Mexico
Oklahoma
Texas

Duffy Paul

Alabama
Georgia
Mississippi
South Carolina
Virginia

Edward Sanders

District of Columbia

STATE GUARANTEE AGENCY INTERVIEWEES

Alabama Board of Education
- Rudolph Davidson, Consultant for Higher Education, Department of Education, State of Alabama

Board of Regents of the University System of Arizona
- James Sarrels, Student Loan Officer
- Charles Hauser, Assistant Administrator Board of Regents
- Sherwood Carr, Associate Controller

Student Loan Guarantee Foundation of Arkansas
- Mrs. Del Tyson, Financial Secretary

California State Scholarship and Loan Commission
- Arthur S. Marmaduke, Executive Director

Colorado Commission on Higher Education
- Norman B. Dodge, Associate Executive Director

Connecticut Student Loan Foundation
- Mrs. Ruth Allen, Office Supervisor
- Vincent Maiocco, Director

Delaware Higher Education Loan Program
- Harold Kaufman, Operating Head of Loan Program, and Director of Financial Aid University of Delaware

District Commissioners of the District of Columbia
- Denver Warnock, Assistant Management Officer

Florida Student Scholarship and Loan Commission
- William W. Wharton, Coordinator

Georgia Higher Education Assistance Corporation
- Donald Payton, Executive Director, Georgia Higher Education Assistance Corporation and State Scholarship Commission

Idaho Higher Education Facilities Commission
- Gilbert Carbone, Executive Secretary

Illinois State Scholarship Commission
- Joseph Boyd, Executive Director
- Lee Noel, Director Illinois Guaranteed Loan Program

Indiana State Scholarship Commission
- Mrs. Josephine Ferguson, Executive Secretary
- Joe D. Henry, Former Director of the Student Loan Program in Indiana

Iowa Higher Education Facilities Commission
- Jay W. Stein, Executive Director
- Roy Welborne, Assistant Director

Kansas Higher Education Facilities Commission
- Marlin C. Schrader, Administrative Officer

Kentucky Higher Education Assistance Authority
- Billy F. Hunt, Executive Secretary

Louisiana Higher Education Assistance Agency
- Richard W. Petrie, Executive Director

Maine Higher Education Assistance Foundation
- Roland McCleod, Executive Director

Maryland Higher Education Loan Corporation
- James Leamer, Jr., Director

Massachusetts Higher Education Assistance Corporation
- Joseph S. Cosgrove, Executive Director

Michigan Higher Education Assistance Authority
John W. Porter, Associate Superintendent, Bureau of Higher Education
Ronald J. Jursa, Staff Director
Minnesota Higher Education Coordinating Commission
Richard Hawk, Executive Director
Board of Trustees of Institutions of Higher Learning, Mississippi
J. L. Scott, Associate Director for Finance
Missouri Commission on Higher Education
Ben Morton, Executive Secretary
Montana State University System
John MacDonald, Fiscal Officer
State of Nebraska
C. R. Haines, Director, Department of Banking
University of Nevada
William Rasmussen, Director of Financial Aid
New Hampshire Higher Education Assistance Foundation
Miss Eleanor Provencher, Administrator
Francis E. Robbins, Executive Secretary
Charles H. Berthold, Department of Education and Welfare (Boston Office)
New Jersey Higher Education Assistance Authority
Mrs. Elizabeth Ehart, Executive Director
William Nester, Assistant Director
New Mexico Board of Educational Finance
William R. McConnell, Executive Secretary
New York Higher Education Assistance Corporation
Kenneth Bevan, Director
North Carolina State Education Assistance Authority
Stan Broadway, Secretary
North Dakota State Board of Higher Education
Richard Davison, Director of Research
Ohio Education Assistance Commission - Student Loan Commission
Mrs. Minturn, Assistant Director
Oklahoma State Board of Regents For Higher Education
John Cleek, Federal Programs Officer
Oregon State Scholarship Commission
Ben Lawrence, Executive Director Education Coordinating Council
Jeffrey Lee, Executive Secretary State Scholarship Commission
Melvin W. Shulson, Assistant Director State Scholarship Commission
Pennsylvania Higher Education Assistance Agency
Kenneth Reeher, Executive Director
Richard May, Assistant to the Director
Rhode Island Higher Education Assistance Corporation
Ernest E. Chase, Executive Director
South Carolina Insured Student Loan Program
Arnold M. Bloss, Financial Aid Supervisor, Clemson University (also chairman, South Carolina Student Aid Fund Committee)
South Dakota Board of Regents of Education
Elgie B. Coacher, Executive Director

Tennessee Education Loan Corporation
Miss Sylvia Holloway, Executive Director
George Talley, Assistant
Texas Opportunity Plan Coordinating Board, Texas College and University System
C. R. Gahagan, Financial Aid Officer
Utah Coordinating Council for Higher Education
Dee W. Flitton, Assistant Director of Programs
Vermont Student Assistance Corporation
Max Barrows, Executive Director
Richard McDowell, Chairman
Virginia State Education Assistance Authority
Robert T. Marsh, Jr., Executive Director
W. E. Rose, Assistant Executive Director
Washington Higher Education Facilities Commission
Roger J. Bassett, Executive Secretary
Ray Thompson, Administrative Assistant
Robert McCleary, Chairman, Financial Aid Officers' Advisory Group
West Virginia Commission on Higher Education
Harry G. Straley, Coordinator, State Department of Education
Wisconsin Higher Educational Aids Commission
Thomas Moran, Executive Director
Richard Johnston, Assistant Director
Office of Financial Aid, University of Wyoming
O. R. Hendrix, Director of Student Financial Aids

FOR INTERVIEW WITH STATE LOAN AGENCY

I. Confirmation of Present Status

Confirm the present status of the operation of the Guaranteed Loan Program. Although you will have advance information as to how the loans are being administered, an explanation or description of the operation from the interviewee is in order.

A. Related questions to be asked:

1. How did the presently operative plan become effective?

2. Was special legislation in the state required?

3. If so, when did it occur in relation to federal legislation?

4. Was the political climate favorable for a guaranteed loan program at the time of introduction?

5. Was there any demand for such type of assistance for students prior to federal legislation?

6. If so, was such demand coming from higher educational institutions, the public schools, and/or the general public?

II. Effectiveness of Operation

Attempt to gain an opinion as to how well the state agencies are functioning, whether they appear to have stability (both political and financial), where they have experienced problems and how they have solved them or hope to solve them.

A. Questions 1 and 2 should be asked in states with an operating or "paper" agency. Questions 3 and 4 should be asked only in those states with an operating agency. The remaining questions are appropriate for all states.

1. What is the composition of the Board of Directors (or equivalent)?

   a. Is it single purpose or multi-purpose?

   b. Was it created by specific legislation?

2. Is the Board attempting to encourage a growth in the guarantee program? Are they in favor of continued investment of state funds for guarantee money and/or administrative costs of the agency?

3. Is there adequate staff provided for the administration of the program? What are the estimated state administrative costs of the program?

4. What was the strongest lobbying force to enable creation of a state agency?

5. Was there any lobbying against a guarantee loan program? By whom? Why?

6. Will the present political climate foster the growth of state involvement in a guarantee loan program?

7. To what extent are administrative costs a factor in preventing the formation or growth of a state operating agency?

B. Related questions to be asked in an effort to determine the agencies' experience with the lending institutions:

1. Did lending institutions participate in the program freely or was it only after pressure? How was pressure applied?

2. Are there an adequate number of banks now participating to make loans accessible in all parts of the state?

3. Is enough private money being generated to meet the needs of all eligible students? If not, how much is needed?

4. Are any inconsistencies noted among the lending practices of the lenders?

5. If yes, do you have any means (or have you attempted to find a means) of providing loans for students who are eligible to receive loan assistance, but who were denied an application or a loan by the lender?

6. Have the lending institutions shown any lack of trust in the terms of the guarantee?

7. What are the greatest difficulties experienced with the lending institutions?

8. What should be done to the terms of the loan plan to generate a greater amount of private money and a greater willingness to participate in the plan?

C. Questions related to attitudes of colleges and universities:

1. What has been the general attitude of higher educational institutions toward the guarantee program?

2. What has been their major criticism, if any?

3. What do they find favorable about the plan, if anything?

4. Have you experienced cooperation in certification of attendance on the student's application? Do you suggest that the college recommend the amount of the loan, and if so, do you follow such a recommendation?

5. Are the colleges and universities requesting that they become lending agencies with their own funds? Are any presently doing so?

D. Questions relating to the general administration of the Guaranteed Loan Program and problems affecting the student borrower:

1. Are you aware of dual borrowing practices through the Guaranteed Loan plan and other loans such as National Defense Student Loan, institutional loans, United Student Aid Funds, etc.?

2. If so, have you attempted to control dual borrowing and how?

3. Do you favor individual loan limits per year as well as total loan limits for each student? What limits should be established?

4. What problems are generated by concurrent repayment requirements? Example: A student with previous National Defense Student Loan, now borrowing through the Guaranteed Loan Program and expected to repay both loans concurrently. Have you made any provisions for such a situation?

5. Are you presently satisfied with student qualifications for loan eligibility? If not, what changes would you recommend?

   a. Do you favor a "financial need" test?

   b. Do you favor interest subsidy for students from families below a certain income level?

   c. Do you favor forgiveness of loan principal for any students? if not, why?

6. Have you had adequate communication and assistance from the United States Office of Education in the administration of the guarantee loans? From the United States Office of Education regional office for your area?

III. <u>Relations with United Student Aid Funds</u>

Attempt to determine why those states with no operating agencies and those with "paper agencies" have chosen not to create a state level operation. More specifically, learn why those states that contracted with United Student Aid Funds chose to do so, and why some states permitted a direct contract between United Student Aid Funds and the United States Office of Education.

A. Related questions to be asked:

1. Was any effort made to establish a state agency? What and how?

2. If so, why did such effort fail?

   a. Were other forms of aid found to be meeting the needs?

   b. Were the lending institutions opposed to the guarantee plan?

   c. Were they contacted or was there a lack of communication?

   d. Were there, and are there now, state laws prohibiting some lenders from participating in the guarantee program?

   e. Did the higher educational institutions offer any lobbying pressures to create a state agency? Do the private or public colleges have the greatest legislative influence?

   f. Was there any feeling that the Federal Government would bear the responsibility and consequently the cost for the guarantee program if the state did as little as possible, or nothing?

B. Questions to be asked in those states where United Student Aid Funds is operating, whether by contract with the state or with the Office of Education:

1. Are you receiving effective service from United Student Aid Funds?

   a. Are there an adequate number of lenders participating within the state to provide accessibility of borrowing opportunities for all students?

   b. Are there adequate funds for all qualified applicants?

   c. If not, what is the estimated shortage and have any inconsistencies in the lending practices of banks, etc. been noted?

   d. Is United Student Aid Funds instructing the banks to bill the government for interest payments for those students who are eligible? In general, do the lending institutions seem to be satisfied with United Student Aid Funds?

   e. Are the higher educational institutions satisfied that United Student Aid Funds is doing an optimum job of administering the plan?

IV. <u>Hypothetical Questions</u>

A. Questions to be asked where appropriate in the judgement of the interviewer:

1. If and when the Federal Insurance Loan Plan is initiated, how will your state react?

a. Will your state be willing to underwrite the state-level administrative costs of the program or only a portion of the program?

b. Will it prevent any chance of future state-level support?

2. Assuming that a state-wide pooling of credit was made possible, do you visualize a state agency being capable of administering and collecting the loans under the Guaranteed Loan Program?

3. Assuming the same available state-wide credit, do you think a state agency could administer and collect all loans if all or most of the six federal student loan plans were merged?

4. Will a service charge payment per loan to the lender encourage more private money?

5. Would a higher interest payment (not to be paid by the student) encourage more private money?

6. If collection responsibilities were centralized within each state agency, would your state administer the collection of loans?

   a. If so, would it bear the administrative costs, or would it require partial or total subsidy of the administrative costs?

QUESTIONNAIRE FOR STATE AGENCY

1. Do you anticipate future appropriations from your state for administration of the Guaranteed Loan Program?

	(1) Yes, definitely	(2) Yes, probably	(3) No, definitely	(4) No, probably	
a. For guarantee reserve funds	( )	( )	( )	( )	1
b. For administrative expenses	( )	( )	( )	( )	2

2. If state appropriations are expected, what amounts are being requested for the 1967-68 academic year?

a. For guarantee reserve funds $__________ 3
b. For administrative expenses $__________ 4

3. Do you think that the educational institution should establish the maximum amount that could be loaned to a student under the Guaranteed Loan Program?

(Answer for each)	(1) Yes, definitely	(2) Yes, probably	(3) No	(4) Hard to say	
a. If the student has financial need	( )	( )	( )	( )	5
b. If the student does not have need	( )	( )	( )	( )	6

4. When should a student be able to receive (or have received) notification of the availability of a Guaranteed Loan for the Fall of the Academic Year 1967-68?

1. ( ) February 15, 1967 or earlier
2. ( ) February 16 - March 31, 1967
3. ( ) April 1 - May 31, 1967
4. ( ) June 1 - July 31, 1967
5. ( ) Later, but before the Fall term begins 7

5. From the experience of your institution how much trouble do the following types of students have getting Guaranteed Loans (of those that are legally entitled to them)?

	(1) Considerable trouble	(2) Some trouble	(3) Little or no trouble	(4) Don't know or no such student	
a. Out-of-state students	( )	( )	( )	( )	8
b. Students from large metro-polititan areas	( )	( )	( )	( )	9
c. Students from rural areas	( )	( )	( )	( )	10
d. Racial minority group students	( )	( )	( )	( )	11
e. Students from low income families (viz $4,000 per year or less)	( )	( )	( )	( )	12
f. Students from high income families	( )	( )	( )	( )	13
g. Freshmen	( )	( )	( )	( )	14
h. Transfer students	( )	( )	( )	( )	15
i. Women students	( )	( )	( )	( )	16
j. Students who are unknown at the bank to which they have applied (no individual or family account)	( )	( )	( )	( )	17
k. Other (please specify) ________	( )	( )	( )	( )	18

6. Would you prefer that the bank give the money from the Guaranteed Loan directly to the student, or should a check be mailed to your institution in care of the student?

1. ( ) Funds should be given directly to the student
2. ( ) A check should be mailed to our institution in care of the student
3. ( ) Other (please specify):________________________ 19

Should the Guaranteed Loan funds be disbursed in one sum in the fall or should two equal disbursements be made, one in the fall and one in the spring?

1. ( ) Disburse once a year only
2. ( ) Make two equal disbursements
3. ( ) Other (please specify):________________________ 20

8. How good a job would you say your state loan agency has done in acting quickly on applications for Guaranteed Loans this Academic Year 1966-67 (or the United Student Aid Funds if they administer the program in your state)?

1. ( ) Very good   3. ( ) Fairly poor   5. ( ) Hard to say
2. ( ) Fairly good   4. ( ) Very poor   21

STATE GUARANTEE LOAN AGENCIES
State of ____________

	Current Fiscal Year 7-1-66 to 5-31-67		Cumulative Inception to 5-31-67	
	Number	Amount	Number	Amount
DISPOSITION OF APPLICATIONS				
1. Applications received				
2. Incomplete applications				
3. Applications approved by agency				
4. Applications disapproved by agency				
5. Applications disapproved by lending institution				
6. Loans guaranteed and granted				
DISPOSITION OF GRANTED LOANS				
1. Loans paid in full				
2. Claims paid				
death				
default				
3. Total outstanding loans				
DISPOSITION OF DEFAULTED ACCOUNTS AFTER SETTLEMENT WITH LENDING INSTITUTIONS				
1. Collections received by agency				
2. Repayments agreed to				
3. Repayment terms being negotiated				
4. Cases considered uncollectable				
a. death				
b. bankruptcy				
c. other				

AVAILABILITY OF FUNDS FOR NEW LOANS

	Amount
1. Total amount of additional loans you can guarantee as of May 31, 1967:	$
2. Total amount of additional loans you can guarantee for 1967-68 academic year	
a. on the basis of funds now available:	$
b. on the basis of anticipated state appropriations (if any) and/or earnings:	$

PARTICIPANTS IN STATE MEETINGS

Raleigh, North Carolina - August 2, 1967

Lawrence E. Allen, Director of Financial Aid, Shaw University
Victor E. Bell, Jr., Vice President, First Citizens Bank and Trust Company, Raleigh
Stan C. Broadway, Executive Secretary, North Carolina State Education Assistance Authority
Joseph D. Creech, Director of Student Aid, University of North Carolina at Greensboro
Harry Gatton, Executive Vice President, North Carolina Bankers Association
Watts Hill, Jr., Chairman, North Carolina State Education Assistance Authority; Chairman, Home Security Life Insurance Company
Duffy L. Paul, Executive Director, College Foundation, Inc.
Oscar Petty, Financial Aid Officer, Duke University

Harrisburg, Pennsylvania - September 7, 1967

Miss Mary Bell, Staff Representative, Pennsylvania Nurses Association
Belden L. Daniels, Executive Vice President, Pennsylvania Bankers Association
John Dietz, Assistant Vice President, Philadelphia Savings Fund Society
Louis Dimasi, Member, Pennsylvania State Board of Private Trade Schools
Donald Edsall, Acting Director of the Guaranteed Loan Division, Pennsylvania Higher Education Assistance Agency
William T. Gwennap, Vice President, Pittsburgh National Bank
Trevor Hadley, Dean of Students, Indiana State University (Pennsylvania)
John Hine, Student Affairs Division, Carnegie-Mellon University
Leo C. Johns, Director of Financial Aid, Harrisburg Area Community College
Hon. Thomas J. Kalman, Member, Board of Directors, Pennsylvania Higher Education Assistance Agency
Ralph N. Krecker, Director of Student Aid, The Pennsylvania State University
Hon. Thomas F. Lamb, Member, Board of Directors, Pennsylvania Higher Education Assistance Agency
G.O. Luster, Treasurer, Carnegie-Mellon University
Robert Mall, Assistant Treasurer, Carnegie-Mellon University
Peter K. Nechtway, Student Affairs Division, Carnegie-Mellon University
James H. Rowland, Esq., Pennsylvania State Board of Education
Harry Ryan, Member, Pennsylvania State Board of Private Business Schools
Thomas Shriver, Jr., Pennsylvania Bankers Association
Robert Strunce, Assistant Vice President, Philadelphia National Bank
Hon. Paul L. Wagner, Chairman, Pennsylvania Higher Education Assistance Agency
Richard Watson, Director of Financial Aid, Lafayette College
John D. Wickert, Vice President, National Bank and Trust of Central Pennsylvania
Frank Wielga, Staff Representative, Pennsylvania Credit Union League
Henry G. Witman, Director of Financial Aid, Dickinson College

Denver, Colorado - September 11, 1967

Joseph K. Bailey, Director, Program Services, Colorado State Board for Vocational Education
K.E. Baird, Assistant Vice President, First National Bank of Colorado Springs
Glenn Barnett, Vice President for Student Affairs, University of Colorado

Paul R. Clarkin, Vice President, Colorado Federal Savings and Loan Association
Harry Collins, Director of Financial Aid, Colorado State College
Norman B. Dodge, Assistant Director, Colorado Commission on Higher Education
Clyde Dwyer, Manager, Colorado Credit Union League
J.R. Hehn, Director of Budgets, Colorado State University
Lyle Lindesmith, Special Assistant to the Governor, State of Colorado
Vernon T. Reece, Jr., President, Fidelity Bank and Trust Company
Robert L. Reisher, President, First Westland National Bank
Frank Sampson, United States Office of Education
J.C. Scarboro, Executive Manager, Colorado Bankers Association
R.K. Schumann, Executive Vice President, Greeley National Bank
Mrs. Sylvia Webster, Office of Financial Aid, Colorado State College
Harvey D. Willson, Vice Chancellor for Business and Finance, University of Denver

New York, New York - September 12, 1967

Judah Cahn, Chairman, New York Higher Education Assistance Corporation
Thomas Clough, Vice President, First National City Bank
Elwood D. Hollister, Jr., Acting Executive Director, New York Higher Education Assistance Corporation
Howard D. MacDougall, Director, Bank Operations and Services, Savings Bank Association of New York State
Rev. Laurence J. McGinley, Assistant to the President, St. Peter's College, New Jersey
Thomas A. McGoey, Business Manager, Columbia University
Charles H. Miller, Executive Vice President and Secretary, Dime Savings Bank of Brooklyn
William R. Muller, Financial Aid Officer, Manhattan College
Dorothy Sartori, Administrative Assistant,Pratt Institute
Jane Sweeney, Director of Student Financial Aid, Adelphi University
Robert E. Watts, Secretary of Installment Credit Operations, New York State Bankers Association

Syracuse, New York - September 14, 1967

Jon T. Anderson, Director, Scholarships and Financial Aid, Cornell University
Howard H. Cannon, Director, New York Higher Education Assistance Corporation
Fred Darrow, Secretary, Onondaga County Savings Bank
Stewart Faulkner, Marine Midland Corporation
Walter G. Hannahs, Coordinator of Financial Aid, New York State Department of Education
Elwood D. Hollister, Jr., Acting Executive Director, New York Higher Education Assistance Corporation
William Hubicki, Assistant Controller for Student Loans, Rensselaer Polytechnic Institute
Robert P. Jaycox, Director of Student Aid, Colgate University
Gary Lee, Associate Director, Scholarships and Financial Aid, Cornell University
Martin Lefkovits, Financial Aids Officer, State University of New York
Peter McKenna, Assistant Cashier, National Commercial Bank, Albany
William G. Morton, Director, New York Higher Education Assistance Corporation; President, Onondaga County Savings Bank
Lucy Plassey, Manager, Student Loan Office, University of Rochester
Donald M. Ringleben, Assistant Secretary, Marine Midland Corporation
Robert Scrimgeour, Administrator of Student Aid, University of Rochester

San Francisco, California - October 2, 1967

Robert O. Bess, Associate, Student Affairs, California State Colleges
E. Howard Brooks, Vice Provost, Stanford University
Arthur L. Ferris, President, Altadena Federal Savings and Loan Association
O. James Gibson, Special Assistant to the Governor, State of California
Robert L. Harris, Assistant Chief Budget Analyst, California State Department of Finance
John R. Healy, Assistant Vice President, Crocker-Citizens National Bank
L. Winchester Jones, Dean of Admissions, California Institute of Technology
Frank L. Kidner, Vice President for Educational Relations, University of California at Berkeley
Arthur S. Marmaduke, Executive Director, California State Scholarship and Loan Commission
George L. Merrill, Chief, Auxiliary and Business Services, California State Colleges
William E. Shepard, Assistant Vice President for University Relations, University of California at Berkeley
Frank Sperling, Vice President, Bank of America
Allan Sproul, Jr., Assistant Vice President, Wells Fargo Bank
Ray Tegge, Security First National Bank, Los Angeles

Chicago, Illinois - October 4, 1967

Robert Abate, Vice President, American National Bank and Trust Company
Robert Bovinette, Financial Aid Officer, University of Chicago
Joseph Boyd, Director, Illinois State Scholarship Commission
Robert Breihan, Vice President, First Federal Savings and Loan Association
James Conroy, Assistant Cashier, Commercial National Bank, Peoria
Gerald Curl, Director, Student Financial Aids, Illinois State University
Fred Heitmann, President, Northwest National Bank
Bruce Kelly, Assistant to the Dean of Students, University of Illinois
Eugene Knight, Loan Administrator, Loyola University
George Morvis, Director of Public Relations, Illinois Bankers Association
Lee Noel, Director, Illinois Guaranteed Loan Program
Walter North, Director, Student Assistance, Knox College
Ray Oberlander, Caterpillar Employees Credit Union
Mrs. L. Goebel Patton, Member, Illinois State Scholarship Commission
Glen Schnadt, Vice President, First National Bank and Trust Company, Barrington
Mrs. Carol Wennerdahl, Assistant to the Director, Illinois Guaranteed Loan Program
William Westrup, President, Downers Grove National Bank
Robert Zeches, Executive Vice President, First Savings of Park Ridge
James Zegunis, Loan Officer, Home Savings and Loan Association, Rockford

CERTAIN ADDITIONAL CONFERENCES

Conference with College and University Business Officers
New York, New York - August 15, 1967

Edward K. Cratsley, Vice President and Controller, Swarthmore College
C. Russell de Burlo, Jr., Vice President for Administration, Tufts University
Kurt Hertzfeld, Vice President for Administrative Affairs, Boston University
Carl W. Janke, Comptroller, Harvard University
Gilbert Lee, Vice President for Business anf Finance, University of Chicago
Martin J. Meade, Vice President for Student Personnel, Fordham University
John F. Meck, Vice President and Treasurer, Dartmouth College
Ricardo A. Mestres, Financial Vice President and Treasurer, Princeton University
James J. Ritterskamp, Jr., Vice President for Administration, Vassar College
Clarence Scheps, Executive Vice President, Tulane University
George F. Williams, Bursar, Yale University

Task Force on Student Attitudes toward Borrowing
New York, New York - August 3, 1967

J. Vic Allen, Assistant Manager, Student Credit and Loan Department, New York University
Clare Davies, Financial Aid Counselor, Newark State College
Arnold L. Goren, Director of Admissions, New York University
Milton Klebenoff, Assistant Controller for Finance and Bursar, New York University
Dorothy McDonald, Manager, Student Credit and Loan Department, New York University
Francis J. Mertz, Assistant to the President, St. Peter's College
Dorothy Rosenbloom, Financial Aid Administrator, Sarah Lawrence College

Committee on Governmental Relations
National Association of College and University Business Officers
Chicago, Illinois - October 4, 1967

This meeting of the Committee, composed of 19 business officers from major universities in every section of the country, was expanded to include a broader representation totaling approximately 65 college and university administration officers.

National Conference of Executives of Higher Education Loan Program
Chicago, Illinois - October 23, 1967

This conference was attended by state agency representatives from 26 states.